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THE PAPER TRUST.

HEARINGS

BEFORE THE

COMMITTEE ON THE JUDICIARY

OF THE

HOUSE OF REPRESENTATIVES

ON THE

LILLEY RESOLUTION, NO. 243.

Committee on the Judiciary, House of Representatives of the United States
Fifty-eighth Congress.

MEMBERS OF COMMITTEE.

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THE PAPER TRUST.

COMMITTEE ON THE JUDICIARY,
Tuesday, April 5, 1904.

The committee met at 10.30 o'clock a. m., Hon. John J. Jenkins in the chair.

The CHAIRMAN. The committee has met to-day for the purpose of hearing arguments on the resolution introduced by Mr. Lilley, of Connecticut, which is as follows:

Resolved, That the Secretary of Commerce and Labor be, and he is hereby, requested to investigate the causes of the present high prices of the white paper used for the printing of newspapers in the United States and the great scarcity of the same, and whether the said conditions have resulted, in whole or in part, from any contract, combination in the form of trust or otherwise, or conspiracy in restraint of commerce among the several States and Territories or with foreign countries; also whether the said prices have been controlled, in whole or in part, by any corporation, joint stock company, or corporate combination engaged in commerce among the several States or with foreign nations; and, if so, to investigate the organization, capitalization, profits, conduct, and management of the business of such corporations, companies, and corporate combinations, and to furnish to this House, at his earliest convenience, the results of the investigations herein requested.

Mr. LILLEY. Mr. Chairman and gentlemen of the Judiciary Committee, we have present Mr. Don C. Seitz, of the New York World, and Mr. John Norris, of the New York Times, who, together with Mr. Conde Hamlin, of the St. Paul Pioneer Press, are a committee representing the American Newspaper Publishers' Association. This association comprises 230 daily papers, which consume about three-fourths of the entire output of news paper, and they would like to be heard. Mr. Seitz, I think, will open.

STATEMENT OF MR. DON. C. SEITZ, NEW YORK WORLD, NEW YORK, N. Y.

Mr. SEITZ. At the last meeting of the American Newspaper Publishers' Association, held in New York in February, Mr. Norris, of the Times, Mr. Hamlin, of the St. Paul Pioneer Press, and myself were appointed a committee on behalf of the publishers to see what steps could be taken to remedy the existing conditions in the paper trade, and we feel that we ought to get behind Mr. Lilley's resolution and give you some clear reasons why the matter should be followed up and inquiry established.

We are here, as Mr. Lilley has said, at the instance of 230 daily newspapers published in the United States. We represent, in reality, about 22,000 published in the United States, and all of the newspaper publishers are dependent upon practically two manufacturing organizations for their paper supply.

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We are here to make the direct charge that there now exists between these paper companies, or trusts, as we might call them, and the smaller companies a combination in restraint of trade.

We want to lay before you the exterior facts regarding this illegal combination and to ask you to report the Lilley resolution, calling for an inquiry into this state of affairs, in order that the newspaper industry, representing more than 22,000 establishments, may have relief from oppression, to which they are entitled under the Sherman anti-trust law.

Mr. LITTLEFIELD. Have you the resolution that your association adopted?

Mr. SEITZ. No; I have not the resolution with me. In general terms, we were a committee appointed with power to take any steps that might be deemed proper to bring about a change in the condition of affairs.

The situation is about this: The General Paper Company, of Chicago, is a selling corporation, organized under the laws of the State of Illinois, but the mills which it controls are not in the State of Illinois, but are scattered through the paper-making States of the West.

We have the General Paper Company, Chicago, Ill., of which J. A. Kimberly is president, G. A. Whiting first vice-president, L. M. Alexander secretary and treasurer, William Z. Stuart second vice-president, and John A. Davis manager of sales.

CONTROLLED MILLS.

Itasca Paper Company, Grand Rapids, Minn.: Frank F. Becker, president; L. Lindauer, vice-president; H. G. Becker, secretary; A. C. Bossard, treasurer and manager.

Hennepin Paper Company, Little Falls, Minn.: B. F. Nelson, president; Gilbert M. Walker, vice-president; W. E. Nelson, secretary; W. J. Walker, treasurer.

Wolf River Paper and Fiber Company, Shawano, Wis.: W. C. Zachow, president; Aug. Anderson, vice-president; F. D. Naber, treasurer and secretary; Hugh Boyle, superintendent.

Atlas Paper Company, Neenah, Wis.: J. A. Kimberly, president; H. Babcock, treasurer; J. A. Kimberly, jr., secretary.

Kimberly and Clark Company, Neenah, Wis.: J. A. Kimberly, president; F. J. Seusenbrenner, vice-president; H. Babcock, treasurer; S. F. Shattuck, secretary.

Riverside Fiber and Paper Company, Appleton, Wis.: H. D. Smith, president; Thos. Pearson, vice-president; W. B. Murphy, secretary, treasurer, and general manager.

Wausau Paper Mills Company, Brokaw, Wis.: Walter Alexander, president; Alexander Stewart, vice-president; W. L. Edmonds, secretary and manager; E. A. Edmonds, treasurer.

Centralia Pulp and Water-Power Company, Centralia, Wis.: F. Garrison, president, treasurer, and general manager; L. M. Alexander, secretary.

Combined Locks Paper Company, Combined Locks, Wis.: William N. Van Nortwick, president; John S. Van Nortwick, vice-president and treasurer; William Van Nortwick, secretary.

Dells Paper and Pulp Company, Eau Claire, Wis.: D. R. Davis, president; W. L. Davis, vice-president and secretary; George A. Davis, treasurer.

Grand Rapids Pulp and Paper Company, Grand Rapids, Wis.: E. T. Harmon, president; C. F. Kellogg, vice-president; William Scott, secretary; George W. Mead, treasurer.

Menasha Paper Company, Menasha, Wis.: S. E. Smith, president; M. H. Ballow, secretary and treasurer.

The C. W. Howard Company, Menasha, Wis.: C. W. Howard, president; A. W. Brown, vice-president; F. W. Hawks, secretary and treasurer.

The Nekoosa Paper Company, Nekoosa, Wis.: T. E. Nash, president and general manager; F. Garrison, vice-president; L. M. Alexander, secretary and treasurer.

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Falls Manufacturing Company, Oconto Falls, Wis.: A. C. Merriman, president; G. O. Bergstrom, vice-president; W. L. Edmonds, secretary; E. A. Edmonds, treasurer and manager.

Flambeau Paper Company, Park Falls, Wis.: William P. Harper, president; Scranton Stockdale, vice-president; E. P. Sherry, secretary and treasurer.

John Edwards Manufacturing Company, Port Edwards, Wis.: Lewis M. Alexander, president; John McNaughton, vice-president; Frank Garrison, secretary and treasurer.

Wisconsin River Paper and Pulp Company, Stevens Point, Wis.: George A. Whiting, president; W. T. Whiting, vice-president; C. A. Babcock, secretary and treasurer.

Tomahawk Pulp and Paper Company, Tomahawk, Wis.: C. B. Pride, president; A. M. Pride, treasurer; William Eibel, jr., secretary.

The Petoskey Fibre Paper Company, Petoskey, Mich.: F. M. Aiken, president; W. L. Curtis, first vice-president; S. Rosenthal, second vice-president; Ed. D. Warner, secretary; George H. Dodge, treasurer; George B. Maurer, manager.

Northwest Paper Company, Cloquet, Minn.: R. M. Weyerhaeuser, president; R. D. Mussen, vice-president and treasurer; C. I. McNair, general manager; E. M. Hoover, secretary; W. K. McNair, superintendent.

That is the list of the companies making up the General Paper Company, of Chicago.

Mr. LITTLEFIELD. The General Paper Company is a corporation, as you understand it?

Mr. SEITZ. Yes, sir; under the laws of the State of Illinois.

Mr. LITTLEFIELD. These companies have been consolidated into that company?

Mr. SEITZ. No; these companies have turned their products over to the General Paper Company as the selling agent, and they are no longer individual factors in the paper trade.

In other words, not long ago Mr. Hamlin in endeavoring to make a contract desired to buy his paper of the Hennepin Paper Company, which was in his own State, and made a paper which was satisfactory to him, but he was not allowed to go to the Hennepin Paper Company and buy the paper; he had to go to Chicago and make his arrangements with the manager of the General Paper Company in Chicago, who then and there notified him that it was not convenient to sell paper from that mill, and that he would have no choice in the matter, but that he must take paper, which this agent designated, from the mill he designated, and he was not able to come East and buy paper because there is a territorial division between the International Paper Company of New York——

Mr. GILLETT (interrupting). Who is Mr. Hamlin?

Mr. SEITZ. He is the publisher of the St. Paul Pioneer Press.

There is a division of territory between the International Paper Company, which controls the paper mills of the East, and the General Paper Company, controlling the paper mills of the Northwest, by which they do not enter upon each other's territory.

Mr. LITTLEFIELD. There are only two companies in the combination?

Mr. SEITZ. But they represent practically all the paper product of the country, and they do more than that, because they actually concontrol the price and the production of other mills.

Mr. LITTLEFIELD. The Great Northern is not in the International Paper Compay?

Mr. SEITZ. Mr. Norris, through his connection with the Philadelphia Ledger, buys a part of his product from the International Paper Company, but the New York Times and the New York World both buy all of their paper from the Great Northern Paper Company.

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Therefore, we are in the happy position of being unselfish in this instance. We are not concerned personally with the International Paper Company, but we are concerned with the effect of its operations. Up to about two years ago it was possible to get competing figures from the International Paper Company—it was possible to go out among the independent mills and get a figure—but a little more than a year ago the manifestation became evident. It was two years ago that the effort was first made to get them together into a successful combination which would shut out all competition and make a uniform price. It was only partially successful. I know they thought they had us cornered, but we succeeded in evading it and they finally brought about this condition of affairs, and this is where I think the International Paper Company, which is a corporation, falls under the ban of the law, while the General Paper Company, in our minds, is obviously an organization in contravention of law. They have made an arrangement with every independent paper mill except one——

Mr. LITLEFIELD (interrupting). That is the General Paper Company?

Mr. SEITZ. The International. They have made an arrangement with every independent paper mill except one by which the International Paper Company takes all of the surplus product of these mills at a price. In other words, the Parson Company at Brunswick——

Mr. LITLEFIELD (interrupting). What is the company excluded?

Mr. SEITZ. The Great Northern, and they are only excluded because they have no surplus paper. They are not factors in the market and will not be for a long time.

Mr. LITLEFIELD. So far as controlling the price?

Mr. SEITZ. Yes, sir; this situation prevails: The Parsons Company, or the St. Regis Company, or the Henry Company, of Connecticut, or any of the mills scattered, independent mills, are allowed to sell to customers whom they had previous to this arrangement, but they are allowed to sell to people who have been customers of the International Paper Company. They are allowed to sell to each other's customers to a limited extent, but if for any reason the demand falls off and 10, 20, or 30 tons that might previously have been looking around for a price, is promptly turned into the warehouses of the International Paper Company. So, there is no floating paper on the market. It is not possible to have paper loose and to get at it.

Mr. LITTLEFIELD. Does that include the Warren Paper Company?

Mr. SEITZ. They make book paper. Our complaint applies to news entirely. The book-paper combination has not been successful. The writing mills have a combination which is a violation of the antitrust law, and the box board manufacturers recently perfected an organization in violation of the law, but the news paper makers have been most successful and they have the best system of holding us up. This method on the part of the International Paper Company becomes doubly effective when you understand what has been done. When they organized five or six years ago, they took in all the mills and machinery in the country, the mills which had earned two or three fortunes, and based the valuation at $22,000 per ton, whereas the modern plants are estimated at $12,000 a ton, and than they found themselves in such bad shape that they at once had to turn in money for repairs, and their own statement shows that in the last four or five years they have spent $4,000,000 in repairs and they have not added one single paper machine to their equipment, except that within a few

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months they have put one in at Bellows Falls for making box board. They reduced the speed of their machines and their output from 1,550 tons down to 1,150 or 1,200 tons. They have not added one single news machine since the paper trust was organized.

Mr. GILLETT. Why did they reduce the output?

Mr. SEITZ. For the purpose of marking up the price; that is our information.

Mr. GILLETT. How much higher are the prices now than they were a year ago?

Mr. SEITZ. I think the market price of paper is just about $5 a ton higher than a year ago, and it is from $10 to $14 a ton higher than it was four years ago, when this combination went into effect.

Mr. LITTLEFIELD. What percentage.

Mr. SEITZ. A very high percentage. The paper used to sell on the market for $33 a ton. It was sold to the man who used 5, 10, or 15 tons a day for about $36 a ton. It is now selling—I bought excess paper last week; we overran our contract supply from another newspaper, the Staats-Zeitung—for $2.35 a hundred pounds as against our former price of $1.65.

Mr. GILLETT. All wood pulp?

Mr. SEITZ. Yes, sir.

Mr. GILLETT. Is not lumber going up as well as paper; is it not the scarcity of timber that is producing this high price?

Mr. SEITZ. I do not think so.

Mr. GILLETT. Is it not going up on account of the forests becoming exhausted?

Mr. SEITZ. I listened to an address not long ago of Mr. Lewellyn Powers, in which he assured us he had figured out that there was more spruce in Maine to-day than there ever was. He had figured it by a series of percentages that we could keep cutting timber forever and never get caught up. He is one of the largest owners in Maine and I take him as good authority.

The timber situation was this: A great many gentlemen in Maine owned timber lands and had done nothing but pay taxes on them for a hundred years. I own some timber land there myself, in Congressman Littlefield's district.

I do not know whether there is any pulp wood on it, but this is what happened: A lot of the people who were loaded up with timber lands unloaded them on the International Paper Company at a very high price, and the International Paper Company is in duty bound to carry the timber on its books at that price, and that money is compounding itself about every twelve years. They really put themselves in a position very much as the Reading Railroad did when Mr. Gowan bought millions of dollars of coal lands that have not been touched by the pick yet, and that money has been compounding itself since 1873. There is no special reason why the newspapers should suffer because a whole lot of gentlemen who owned timber lands in Maine and New Hampshire saw fit to unload them on the International Paper Company.

Mr. PALMER. You can not buy those coal lands at the original purchase price and the interest on them to-day.

Mr. SEITZ. I am aware that the coal situation has gotten into exactly the situation the paper business is in, as the Supreme Court observed recently.

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Mr. De Armond. What is the prospect of getting supplies from abroad?

Mr. Seitz. The timber or the paper?

Mr. De Armond. The pulp, or both.

Mr. Seitz. Fifty per cent of the timber now consumed is brought from Canada; consumed by the paper companies.

Mr. Gillett. Spruce?

Mr. Seitz. Yes, sir; mainly. The great bulk of the wood of the northern New York companies comes from Canada because the State of New York has reserved so much of the forests and they have cut so heavily in the Adirondack region that they have had to turn to Canada. That is one of the embarrassments of the manufacturing trade. We know that the tariff is tabooed in this Congress, but we do feel that within three years' time the International Paper Company and all other paper companies will be coming down here and asking to have the bar taken down.

Mr. De Armond. What would be the effect of taking down the bar now?

Mr. Seitz. There would be no effect, because there are no surplus paper mills in Canada.

Mr. Littlefield. Is there a tariff on the rough timber?

Mr. Seitz. There is no tariff on the rough timber. The board of appraisers made a ruling on timber trimmed and barked, but I think their ruling has been upset in the last week. The pulp wood comes in free, except to this extent: That the Canadian authorities lay an export tax on pulp wood.

Mr. Littlefield. That is not exactly an export tax. That is what they charge for stumpage?

Mr. Seitz. No; I think Ontario has a tax, but Mr. Norris has those facts more in detail.

Mr. De Armond. Do I understand that wood pulp comes in free?

Mr. Seitz. No, sir.

Mr. De Armond. How would it be if the pulp came in free?

Mr. Seitz. It would not benefit the newspapers; it would simply benefit the paper companies. As the paper companies are now organized it is not possible to get any benefit from the tariff or any other legislation.

Mr. De Armond. If the tariff were out of the way, would it not be possible to manufacture paper in Canada to come in competition with these fellows?

Mr. Seitz. It would take three years to construct an ordinary paper mill, and in the meantime——

Mr. Gillett (interrupting). They would reduce the output?

Mr. Seitz. Yes, sir.

Mr Gillett. Is the output sufficient now to meet the demand?

Mr. Seitz. It is not sufficient really to meet the demand safely. Last fall the International Paper Company had 47,000 tons of excess paper that it had gathered up in one way or another. All last summer it was taking the surplus product of the other mills and piling it up in order to keep up the price, and then they organized a shut down all over the United States.

Mr. Littlefield. Where do they have their storehouses?

Mr. Seitz. They are scattered at depots in nearby towns, and they sold about 50,000 tons in a couple of weeks' time. I will show you how

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it affects the little newspapers. The editor of the country newspaper has bought his paper for years for $2 a hundred pounds or $40 a ton. He is now paying $2.75. See what an enormous change—75 cents. He is still selling his advertisements at so much an inch and so the difference comes out of his pocket. The newspaper can not pass the raise along to the customer. We sell at a fixed price. The great bulk of the circulation of the United States is 1 cent, sold to the trade for 50 cents a hundred. Advertising rates are governed by competition that you can not control or adjust. We have had long battles in New York even to maintain our rates and we can not pass it along. The paper trust comes along and says, "Why do you not raise the price of the paper to 2 cents and increase the advertising rates and hand the profits over to us?" We do not care to do it.

Mr. LITTLEFIELD. Are the advertising rates fixed, or do they vary?

Mr. SEITZ. They are getting lower all the time. Practically, the newspapers are between three kinds of combinations. The paper trust is one; then there is the labor trust on the other hand, and now we have the dry-goods trust against us in New York City.

Mr. LITTLEFIELD. What does the dry-goods trust do?

Mr. SEITZ. They direct rates.

Mr. LITTLEFIELD. Advertising rates?

Mr. SEITZ. Yes, sir. They withheld nearly $300,000 a year for two long, weary years in order to carry a point, and we had to compromise in the end.

Mr. LITTLEFIELD. Do you know of any understanding among the papers as to the price of advertising?

Mr. SEITZ. There is none whatever. We are unable to do it. I will give you an instance. Three of the newspapers in New York had a rate for local advertising. There was an obnoxious agent who organized a small trust of his own in legal advertising. In other words, he went around and did legal advertising for a salary, and the result was that the papers decided he was operating in restraint of trade, and they cut off his commission. They were hauled down to the police court and the magistrate solemnly decided that they were guilty of a conspiracy and punishable by imprisonment and fine. They were the Times, the Evening Post, and the Commercial Advertiser, now the Globe. We can not get into any combination together. We have labor on one side, the paper combination on the other side, and the dry goods combination on the other side, and we have come to the conclusion that we are merely common people.

Mr. DE ARMOND. What sort of legislation could Congress enact that would help you out?

Mr. SEITZ. I will tell you. In the first place, this is a fundamental thing. The uncertainty of the English tariff policy is a very great factor in anything we may want to do here. American capital is not likely to go to Canada and invest itself to the extent that a paper plant requires with all the uncertainty of English tariff legislation over it, which, of course, would provoke retaliation. If there was some way by which the relations between Canada and the United States could be settled, and they ought to be settled, and our manufacturers given access to the raw material, relief would follow. I have talked with Canadian paper men, but they can not get money over there. I have a trunk full of letters and they all say that the Canadians will not invest any money; the Englishmen have been swindled, and they must rely

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upon the United States. But the main relief—the important relief—that we ought to have and the only way we can get it is by regular operation of the law, we believe, in dissolving these illegal combinations.

The CHAIRMAN. Would the adoption of this resolution accomplish just exactly what you desire and what you have just expressed should be done?

Mr. SEITZ. I can not say that it would accomplish it; I think it would encourage it.

The CHAIRMAN. You think that this resolution would obtain a single thing that you do not now state to the committee?

Mr. SEITZ. We want, if possible, Mr. Chairman, to get something started, something that will have some official basis for a beginning, and it seems that this resolution directing the Department of Commerce to make a proper inquiry should be adopted. Of course, the trust-hunting business is new and lines of pursuit are not yet laid down, but there is apparently a process developing by which we can reach these corporations.

The CHAIRMAN. The Attorney-General has money at his disposal for this purpose and I do not know that the committee has any information that the Secretary of Commerce and Labor has any money that can be used for this purpose.

Mr. DE ARMOND. Have you applied to the Attorney-General to go after this trust?

Mr. SEITZ. No, sir.

Mr. LITTLEFIELD. Have you applied to the Department of Commerce?

Mr. SEITZ. No, sir.

Mr. LITTLEFIELD. Assuming it to be the duty of the Attorney-General or the Department of Commerce to investigate this question, would not that really be the proper thing to do, to make your application to them and if they declined to then call upon somebody to give them instructions or to compel them to move?

Mr. SEITZ. We are looking for some point of initiative, and we assumed that Mr. Lilley's resolution, which was introduced independent of us, I might say, provided a method of starting.

Mr. LILLEY. If there is anything wrong with the procedure I am at fault.

Mr. LITTLEFIELD. I am only making a suggestion.

Mr. SEITZ. I know this: That if the House were to pass this resolution, directing an inquiry, it would at once arouse considerable interest and would assist us materially in getting this evidence before the proper people. We need help to do it. Frankly, we believe that we have a case, as I said before, but there is no actual method laid down for getting at these illegal combinations.

The CHAIRMAN. This investigation would cost considerable money. They would have to employ competent parties to make this investigation and to go through the country. There is no provision of law—I have been reading the law—and they have no authority to do this thing. They have neither the men nor the money. This suggestion has been made with reference to helping you gentlemen and not harming you in the least.

Mr. SEITZ. We must admit that we are not familiar with the best method of proceeding, but we have assumed that the Department of Commerce was created for this purpose and that it was in some man-

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ner subjective to the House of Congress. I have seen some statements in the papers that the Government and Congress were not having very much to do with each other and that might be the case, but it did seem to us that this was a matter that ought properly to come here.

Mr. GILLETT. You should proceed against this trust the same as against other trusts, by commencing an action. Have you facts and figures to show all these things to submit to the Attorney-General, and call his attention to them?

Mr. SEITZ. Naturally, it would require a great deal of force to bring out these agreements; it has just taken a decision of the Supreme Court to bring out the facts concerning the coal combination.

Mr. PALMER. How did they start the proceeding against the beef trust?

Mr. LILLEY. In introducing this resolution I copied the resolution that was introduced by Mr. Martin, of South Dakota. That resolution has passed the House instructing the Department of Commerce to make the investigation, and following that precedent I introduced this resolution.

Mr. LITTLEFIELD. This session?

Mr. LILLEY. Yes, sir; only three or four weeks ago. I simply followed that precedent.

Mr. SEITZ. Here is an extract from a broker's circular:

The International Paper Company had on hand at the beginning of the present winter a reserve stock of more than 50,000 tons of newsprint. This surplus stock, amounting in value to more than $2,000,000, has in the past few weeks been turned into cash.

That is under date of February 29.

We strongly urge the purchase of the International Paper Company's stock around present prices by those who can afford to wait. It can not, by any possibility, sell much lower, and very large profits in the near future are certain.

A little later they issued another one:

There is no industrial company in America whose business is to-day in a more prosperous condition than that of the International Paper Company. From the price of the stock one would suppose the company upon the verge of a receivership. Such is not the case, however.

We earnestly recommend holders of steel common to exchange it for paper common. A year ago steel common was worth twice as much as paper common. A year hence paper common will be worth twice as much as steel common. Steel common will then be selling in the twenties.

Mr. LITTLEFIELD. What is that an extract from?

Mr. SEITZ. From a circular of Hunt, Ellis & Co. Then we wrote them a letter, and they said:

The situation with the I. P. Co. is much more bullish at the present time than at the time this letter was written. The price of paper has had considerable advance since that time, and all the long-time contracts of the I. P. Co., which have been running at prices of from ½ to ¾ cents per pound below the market for the past year, have expired, or will expire within the next two or three months. Most of these contracts have already expired and have been renewed at higher prices. Several of them expire May 1 and will be renewed at higher prices.

In other words, there is absolutely no escape. Some friends who run newspapers in Philadelphia, where for years they bought the paper at $1.85, the freight rates being a little less favorable than in New York. Now everyone has been hoisted to $2.25 this year, and they simply could not get bids. They went around to the International Paper Company and everybody else, but they were only able

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to buy from the man they had bought from previously and at the price he named. The scheme is as dead open and shut as any game that was ever played.

Mr. PALMER. Does the International Paper Company pay any dividends on its common stock?

Mr. SEITZ. Not any dividends on its common stock. It paid two dividends, until the common stock had been loaded on the public. It pays 6 per cent regularly on its preferred stock.

The CHAIRMAN. Do you buy your paper from the Illinois company?

Mr. SEITZ. The Great Northern Paper Company, in Maine.

The CHAIRMAN. Does the Illinois Paper Company engage in intertate commerce?

Mr. SEITZ. There is a dividing line. They have divided the territory. They do not come east of the Indiana line and the other company does not go west, except to old customers.

The CHAIRMAN. Assuming that you got your paper from the Illinois company, do you pay there and have them ship it, or do they ship it and sell it to your company?

Mr. SEITZ. They ship it on our orders, but it is all controlled through the one agency. There is one price.

The CHAIRMAN. Have you ever discussed the question in your mind as to the power of Congress to send up there and investigate their business?

Mr. SEITZ. No, I have not.

Mr. DE ARMOND. What effect, if any, has the tariff on pulp had in helping these people to effect this combination?

Mr. SEITZ. It was not a very great factor, because before the consolidation there was not much of an outside pulp supply. Since then large mills have been built in Canada.

Mr. DE ARMOND. The pulp could have come in easily without the restriction of the high tariff?

Mr SEITZ. But they have consolidated everything.

Mr. DE ARMOND. Before the consolidation, was not the tariff on wood pulp an important factor in helping them to promote this organization?

Mr. SEITZ. I would not say so.

Mr. DE ARMOND. Then what is the use of keeping it on?

Mr. SEITZ. Absolutely none.

Mr. DE ARMOND. And there never was any use of putting it on?

Mr. SEITZ. No, sir.

Mr. DE ARMOND. That is a very small thing which Congress could do.

Mr. SEITZ. I am in favor of reciprocity with Canada.

Mr. DE ARMOND. Suppose we took it off straight without any reciprocity, that would not hurt you gentlemen?

Mr. SEITZ. You would not gain all the advantages, because the Canadians would probably——

Mr. DE ARMOND. (Interrupting.) But would it not aid the people in buying paper?

Mr. SEITZ. No, sir; it would simply increase the profits of the paper trust.

Mr. DE ARMOND. A tariff can be effective in making a trust and not effective in taking it off?

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Mr. SEITZ. The tariff on wood pulp is light, but the tax on paper is very high.

Mr. DE ARMOND. Why should not taking the tariff off of paper have some effect?

Mr. SEITZ. It would in about three or four years' time.

Mr. LITTLEFIELD. That is on the hypothesis that you get a settled condition in Great Britain?

Mr. SEITZ. Yes, sir; but you can not tell anything about it in advance?

Mr. DE ARMOND. Suppose you took the tariff off of wood pulp and paper; what effect would that have?

Mr. SEITZ. None; because these men control the paper product absolutely, and you would simply pay them an increased profit.

Mr. DE ARMOND. Would not paper be sent here from other countries?

Mr. SEITZ. I think most undoubtedly, if we got the tariff off of paper. Then it would be possible for American capital to go to Canada and safely engage in the paper business.

Mr. DE ARMOND. Is not that the most effective way to destroy the trust—to take the tariff off of wood pulp and paper and allow them to come in free?

Mr. SEITZ. I do not know. The tendency of modern business is such that everybody is making necessary arrangements, and it does not matter what the law says or the tariff, the combinations are so strong that ordinary things do not affect them.

Mr. LITTLEFIELD. You would not look upon it as essential?

Mr. SEITZ. No, sir. Although I do not believe in tariff—being a Democrat—but when you ask me the exact facts, they fix the price and they have the advantage, and they do not concede any of it to the consumer. They do not have to; they are a monopoly—a trust.

Mr. DE ARMOND. Would it not tend to break the power of the combination if paper was brought in from abroad?

Mr. SEITZ. These people are selling in London at one-fourth of a cent a pound below the New York price. There is no paper made in London.

Mr. DE ARMOND. If it could be made in Canada profitably and it could come in here, these people here would have to put down the price?

Mr. SEITZ. I think myself that in three or four years' time these companies will themselves reach the point where they will want the tariff taken off, so they can invest money in Canada to enlarge their business.

Mr. LITTLEFIELD. You say they are selling abroad cheaper than at home?

Mr. SEITZ. Yes, sir.

Mr. LITTLEFIELD. Is that peculiar to the International Paper Company and the General Paper Company, or does the Northern Paper Company engage in that?

Mr. SEITZ. They all have a price for so much a pound for export.

Mr. LITTLEFIELD. The Northern Company does that same kind of business?

Mr. SEITZ. Yes, sir.

Mr. LITTLEFIELD. Does the Northern Paper Company export a part of its product?

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Mr. SEITZ. Some to Australia in cargo lots. They are not sending out any now. The Australia paper is very largely furnished by the Parsons Company.

Mr. LITTLEFIELD. They are not in the trust either?

Mr. SEITZ. They are in a deal where the trust takes their surplus product.

Mr. LITTLEFIELD. Not in the combination, but they sell under the same circumstances?

Mr. SEITZ. Yes, sir. The combination does not undertake to interfere with their customers. They have divided our trade and passed it around in a perfectly friendly way.

Just to show you how frightened the paper merchants are in New York, I was advised by a friend, in whose office paper salesmen congregate, that they could not make a sale without calling up the International Paper Company and asking them if it was all right. You say to a paper salesman in New York to-day, "I want to buy 500 tons of paper," and he will say, "I will let you know in an hour," and he goes away and calls up the International Paper Company by telephone and sees if he is free to sell. I tried an independent concern which handles $5,000,000 worth of paper a year, and the head salesman said, "I would like to do this for you, but we can not; the International will not let us. If we start to sell you, they will cut off our stock."

Mr. PALMER. Is the trust combination making a great deal of money or just making a bare living?

Mr. SEITZ. I do not know. They carry $60,000,000 capital and surplus on $20,000,000 of gross annual business—a terrific load in proportion. They had a number of long-time contracts around $36 or $37.50 a ton. These contracts are expiring, and the paper trust, through its power and through its relations, has been able to mark the price up from $6 to $14 a ton.

Mr. PALMER. Did not they go into the combine because the little concerns were going into bankruptcy and it was simply a question of ruin or else combining?

Mr. SEITZ. I do not know, but immediately after the combination was formed they were buying $40,000 race horses and building Riverside drive palaces until they went broke in Wall street.

Mr. DE ARMOND. Everyone of them went into bankruptcy?

Mr. SEITZ. They had already made one fortune, and they sold the mills and made a new one.

Mr. LITTLEFIELD. It is the duty undoubtedly of the Department of Justice to enforce the provisions of this law; you so understand it?

Mr. SEITZ. That is the popular theory.

Mr. LITTLEFIELD. Assuming that to be the fact, is it not the first duty of the people who complain of such a combination to call the attention of the Department of Justice to the fact and request them to proceed, and then in default of their proceeding, to see what further remedy they may have; would it not be fair, in your judgment, to leave the proceeding to the Department of Justice?

Mr. SEITZ. I had such a high opinion of executive power that I would like to see them try it.

Mr. LITTLEFIELD. But, would it not be a fair proposition to present the facts to the Department of Justice before we assumed to direct a proceeding upon the hypothesis that they were not willing to proceed?

Mr. SEITZ. Well, I do not know; I feel, as I said before, that the

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only way to get after these fellows is to make them feel that there is a widespread interest, and we have come forward to our own representatives, the House of Representatives, to see whether or not they will take up this matter. It is a large and important interest and we are not here in a selfish position at all. We have given every advantage away.

The price of the newspapers used to be 5 and 6 cents a copy. It is now 1 cent a copy and if there was a half-cent coin we would probably be selling at that price.

Mr. PALMER. Do you run your newspapers for benevolent purposes or as business propositions?

Mr. SEITZ. Most newspapers are run by gentlemen who have sporting blood, different from any other enterprise. They are all very much alike and they take all sorts of chances and do things that would make ordinary business men shiver.

Mr. PALMER. How much money does the New York World make every year over and above expenses?

Mr. SEITZ. I think the profits of the New York World on the basis of the gross business done represents just about one-half of the percentage earned by the paper trust.

Mr. PALMER. I mean in dollars.

Mr. SEITZ. I would not be at liberty to tell you. I assume that the newspapers in New York City do a gross business of $15,000,000 a year, and earn about 5 per cent on this sum. However, the difference between the price of paper to-day and the price we have been expected to pay would cost the New York World $338,000 a year. That is an increase of 33⅓ per cent. What business will pay 33⅓ per cent increase and have anything left? I tell you that there are half a dozen newspapers in New York City that will have to face a deficit in a short time.

Mr. LITTLEFIELD. The increase of 33⅓ per cent has taken place within what period of time?

Mr. SEITZ. The last two years. They have now so perfected their organization that they are in a position to enforce it universally, which they were not before.

Mr. DE ARMOND. Is not the effect of keeping the tariff on paper and on wood pulp to aid these fellows who have formed this paper trust in the United States to monopolize in a comparatively short time most of the supply of timber over in Canada?

Mr. SEITZ. That is true.

Mr. DE ARMOND. Then, they will be in favor of taking the duty off?

Mr. SEITZ. Yes, sir; I think you are quite right.

STATEMENT OF MR. JOHN NORRIS, BUSINESS MANAGER NEW YORK TIMES, 41 PARK ROW, NEW YORK CITY.

Mr. NORRIS. Mr. Chairman, with your permission I will attempt to summarize the complaints which newspaper publishers make respecting combinations of paper makers. We are told that your inquiry must be limited to that phase of the subject which affects interstate commerce, and therefore I will try to exclude all facts that relate to the tariff oppressions of the paper combinations and will confine myself to those aspects of the paper manufacturing combination which are clearly within the Supreme Court definition of interstate commerce.

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The resolution referred to your committee authorizes an investigation by the Secretary of Commerce and Labor into the following subjects: The high price of news print paper, the scarcity of paper, and the extent and character of the combinations which have produced high prices or scarcity.

We appear as the authorized representatives of 230 newspapers comprising the American Newspaper Publishers' Association. We appear as consumers of more than three-fourths of all the news print paper made in the United States. We appear as employers and protectors of workingmen numbering 40 to 1 as compared with the workers on the pay rolls of the paper companies. These considerations entitle us, at least, to your favorable attention. There are practically 63 news print paper mills in the United States, producing about 600,000 tons annually, for which the newspapers pay $26,000,000 per annum.

We complain that the news print paper mills west of the Indiana State line have organized into an illegal combination known as "The General Paper Company," which acts as the selling agency for those mills. It dictates to newspaper proprietors in various States where and how they shall obtain their paper supplies and the prices they shall pay for the paper. It has gone so far as to dictate to a newspaper proprietor what width of roll he shall use; in other words, to prescribe the size of press he shall use for printing his paper.

We complain that the International Paper Company—a manufacturing combination of 30 mills—has arranged with the General Paper Company for the apportionment of territory and for the apportionment of customers.

We complain that the International Paper Company has arranged with outside mills of the East for the purchase of their surplus product, in order that it may control prices, and we complain that it has sold its surplus in Great Britain at lower prices than it demanded in New York City for the same article.

Mr. LITTLEFIELD. Does that mean net prices in London?

Mr. NORRIS. Absolutely delivered on the sidewalk in Great Britain less than delivered on the sidewalk in New York City at the same time.

Mr. LITTLEFIELD. That means the freight added?

Mr. NORRIS. Yes, sir; c. i. f.

Mr. LITTLEFIELD. The freight added to that shows the difference between the prices they really receive?

Mr. NORRIS. Yes, sir; insurance and freight.

Mr. LITTLEFIELD. How much is that; how much less?

Mr. NORRIS. The price which they sold in Great Britain was $2.08 per 100 pounds, forty dollars and some odd cents per ton, while they were demanding from $2.25 to $2.50 per 100 pounds in New York City.

Mr. LITTLEFIELD. Do you know what the freight is?

Mr. NORRIS. The difference brought the net price in New York delivered on the sidewalk to $1.75. There was a difference of about 50 cents per hundred pounds, or $10 per ton, added by reason of this paper combination.

Mr. DE ARMOND. Nearly 33⅓ per cent?

Mr. NORRIS. Yes, sir; substantially that.

We complain that all the paper mills East and West conspired to close their mills on November 25, 1903, and that they produced a panic in prices and in supply; in effect that they imperiled the continuity of newspaper publication.

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We complain that the producers of sulphite pulp have combined to stimulate the price of that important factor in the production of paper.

We complain that in other branches of the paper trade, in writings, in cardboard, and in book paper, similar combinations have been made, all of which tend to strengthen that conspiracy in news print paper which is the special object of this inquiry.

We complain that these various combinations and conspiracies have interfered with the currents of trade; that they have produced artificial conditions, and that they have menaced an interest which is entitled to your protection.

I am prepared to give specifications on any of the points which I have stated here, and I am also anxious to correct a few possible misapprehensions which may have arisen from the questions and answers which have been given this morning.

First, as to the time that would be required for new mills or active competition with the present output. I do not want to go into this branch of the subject; it is the tariff branch of it, which is wide and which is not within what I conceive to be the resolution; but in order that there may be no misapprehension I want briefly to state that with free pulp it would be possible in six months to equip paper mills—that is, to set up the paper machines and appurtenances of paper mills—that would entirely affect and control the supply of paper. It would take two and one-half years possibly to develop water power and to build pulp mills and sulphite plants and paper mills combined, but with free pulp it would only require an investment of $3,000 per ton of daily output and only six months in which to produce paper which would entirely relieve the present situation. That pulp would naturally come from Canada, where there are limitless supplies.

Mr. Gillett. Who would produce it?

Mr. Norris. American manufacturers of paper.

Mr. Gillett. Are there some manufactories in existence now?

Mr. Norris. Yes, sir; there are.

Mr. Gillett. Would that relieve the situation?

Mr. Norris. It would be absolutely impossible to corner the pulp supply by reason of the fact that in Canada there are supplies of spruce wood extending from Labrador to the Yukon and from the St. Lawrence River back to the Hudson Bay.

Mr. Gillett. That is not the question I am getting at. Suppose the pulp came in without any tariff, would it be bought up by the people who formed the paper trust?

Mr. Norris. Not at all. It would then be open to any manufacturer. Any man who could put up his little paper machine and who wanted to turn out 25 tons per day of white paper on a paper machine on an investment of $100,000, covering everything, could go into the manufacture of news print paper and could successfully compete with the combination or the aggregation of combinations.

Mr. Littlefield. What is the tariff on pulp?

Mr. Norris. $1.67 per ton.

Mr. Littlefield. What is the tariff on paper?

Mr. Norris. Six dollars per ton.

Mr. Littlefield. On news paper?

Mr. Norris. On news print costing less than 2 cents a pound.

Mr. Littlefield. Is that duty ad valorem or specific?

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Mr. NORRIS. It is specific. I appeared before the Ways and Means Committee when this rate was fixed—when the paper schedules were considered—and on the other side were William A. Russell, Wellington Smith, Warner Miller, and Mr. Chisholm, gentlemen whom Mr. Littlefield knows. I then charged that this particular combination was planning to raise prices, and they all denied it. They all said that the manufacturers could not, if they wanted to, raise the price of news-print paper, because if they did so they would simply hold the umbrella over the outside manufacturer; but they have since found a way by which they have brought all the gentlemen in under the umbrella, whereby the average selling price has been increased $10 per ton, and whereby the newspaper publishers are taxed annually $5,000,000 because of these artificialities, and because of the advantages which they have taken of the tariff rates.

Mr. LITTLEFIELD. That is the result of the recent increase in price?

Mr. NORRIS. It is the result of the increase in price, all of which does not now go to them. This point I will explain, if it is of any value to the committee. They have increased the cost to us, but they have also put up the price on themselves.

Mr. LITTLEFIELD. By increased cost of production?

Mr. NORRIS. Yes, sir; unwittingly. When they were organized they figured that they would make economies in six different directions, that they would gain by reason of the reduction of the number of salesmen; that they would gain by reason of the economies in wholesale purchases; that they would gain by reason of the reduction of railroad transportation. That is, instead of a publication at Bangor getting its supply of paper from Lake George, N. Y., it would get its supply from the nearest mill—Rumford or Otis Fall—and that Niagara Falls would supply Chicago.

Mr. LITTLEFIELD. Thereby shortening the distance?

Mr. NORRIS. Yes, sir; and then there were other things by reason of the change in time by which they would save $2 a ton, but when the company was organized the entire situation was changed. The managers lost their idea of enlightened self-interest, which they had promised should control them, and they started out to buy woodlands. They acquired 1,600 square miles of woodlands in the United States and they acquired over 1,000 square miles of woodlands in Canada, and they proceeded wildly to acquire lands to stop other companies from buying lands or setting up competition. In that way they increased the price of timber tracts in the State of Maine, for instance, from 65 cents per acre to $3 per acre, and in the same way the prices of the lumberman's supplies—the felts, the supply of wires for their machines, and the supply of labor—everything was marked up, until finally it worked against all of them. They even influenced legislation by which they delayed any provision for the storage of water which might help rivals. They stopped those things for a period of years.

Mr. LITTLEFIELD. Do you mean us to understand that the price per acre in Maine was only 65 cents prior to the organization?

Mr. NORRIS. I have the authority of the paper men themselves that they could buy those timber tracts for 65 cents an acre, and as the result of these purchases, which, I think, were largely made through Mr. Burbank, the vice president of the International Paper Company, the prices were marked up, not by their choice, but as a result of the competition of the buying which they were doing, to $3.

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Mr. LITTLEFIELD. You get your information from representatives of the company?

Mr. NORRIS. Yes, sir.

Mr. LITTLEFIELD. Are you familiar with the Great Northern Paper Company.

Mr. NORRIS. Quite. I went up there before the ground was broken.

Mr. LITTLEFIELD. The Great Northern Paper Company represents an actual investment of cash, does it not?

Mr. NORRIS. I think they all originally represented an investment of cash.

Mr. LITTLEFIELD. The Great Northern Paper Company, its capitalization, is based practically upon an investment?

Mr. NORRIS. I do not know. I would not give a certificate of character to any paper company as to capitalization. I assume that it is so.

Mr. LITTLEFIELD. I do not know what the facts are. I presume you are well acquainted with Mr. Schench, who was the promoter and is now the general manager of the Great Northern Company?

Mr. NORRIS. Yes, sir.

Mr. LITTLEFIELD. Do you know whether or not that mill has proved to be a profitable investment for the capital?

Mr. NORRIS. I am satisfied that it is highly so. I know one other paper plant which is making $10 per ton profit in ordinary periods, and which in the month of February, because of abnormal conditions, made only $3,000, and the manager complained to me because of the situation, which was the result, primarily, of an illegal combination in restraint of trade, but attributed by those people to natural conditions, namely, a drought, and that brings me to the situation on November 25, 1903, when all the paper mills East and West decided to close down for one week.

On the 1st of November, 1903, the paper men found that there were 47,000 tons of white paper on hand. That was only one month's supply for the entire market, but it was 7,000 tons more than they had upon the corresponding day of the previous year. Accordingly in that month, by means which we hope through the passage of this resolution and the aid of the Department of Commerce we shall be enabled to uncover, an arrangement was made whereby all these mills shut down and starved the market to the extent of 12,000 tons. Then they discovered that a drought which had prevailed in some sections, according to their statements, since last April had not been broken and that the severe winter froze all of the precipitation so that the rainfall could not come into the streams and thereby the power to grind wood into pulp was diminished.

They were forced to buy pulp from Canadian and from Norwegian mills. By reason of that shortage of pulp they marked up the price to $2.50 per 100 pounds, and in some cases they absolutely refused to supply paper at any price. They sent letters to the newspaper publishers politely asking them to cut their circulation in half and to reduce the size of the paper because of this critical situation produced by that shut down which they had made on the 25th of November.

Mr. LITTLEFIELD. They wanted your cooperation?

Mr. NORRIS. They were imposing upon us the penalties due to their interference with natural conditions.

Mr. LITTLEFIELD. Do most of the paper mills depend upon water power for their motive power?

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Mr. NORRIS. No news paper mill can possibly compete unless it has cheap water power. The ordinary manufacturing standard has been water power costing about $5 per annum. However, the Niagara Falls paper mill has been able to produce paper cheaply at $8 or $9 per horse per annum. It has the benefit of special and favorable conditions in other respects.

Mr. LITTLEFIED. So that the manufacture of paper, so far as this country is concerned, is largely controlled and concentrated at the location of available water power?

Mr. NORRIS. I would answer that briefly by stating that there are six factors for successful news-print paper manufacture. First, cheap and ample water supply.

Mr. LITTLEFIED. That is, water power?

Mr. NORRIS. Yes, sir; water supply. Cheap and ample wood supply—spruce.

Mr. LITTLEFIELD. That means, among other things, contiguity to the mills, because if they were compelled to carry it too far it would make it a failure?

Mr. NORRIS. Yes, sir. Cheap rates to the market, preferably water. Next, wholesale production; next, the concentrated supervision at one place, and last, the best and most improved machinery.

Mr. LITTLEFIELD. There has been quite a transition in the paper-making machinery in the last fifteen years?

Mr. NORRIS. The one factor which entered into all the troubles which the International Paper Company has encountered has been due to the fact that when it combined there were 24 mills with a total of 98 paper machines, of which 50 were worthless and of which only 48 were fit for the competiton which then prevailed. The cry of bankruptcy, which these men set up, came from men who had old machines, and who were located on exhausted water courses and contiguous to denuded timber tracts.

Mr. PALMER. Why did they take them in?

Mr. NORRIS. To purchase peace, and because they figured that by the economies they would make with the concentration of manufacture they could cut the watermelon so as to give every one of them a good slice. The gentleman who organized the combination was the gentleman who had those old machines on exhausted water courses, Mr. William A. Russell, of Bellows Falls, the president of the company, its genius, its inspiration, the man who made it possible.

Mr. LITTLEFIELD. So he was operating his plants at a loss at that time because of their inefficient machinery and lack of facilities?

Mr. NORRIS. He was a gentleman who was complaining most deeply of the cuts in prices and the panic in paper, though he was an extremely wealthy man and had other large interests outside of Bellows Falls. He was interested in book paper mills, among other things.

Mr. LITTLEFIELD. What is the rate of dividend that the International Paper Company pays on its preferred stock?

Mr. NORRIS. Six per cent.

Mr. LITTLEFIELD. Has it a bond issue?

Mr. NORRIS. There are $10,000,000 of bonds, $25,000,000 authorized of preferred stock, and $25,000,000 authorized of common stock. I think there are $23,000,000 of the preferred stock issued and very close to $10,000,000 of bonds; about $55,000,000, but that does not

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represent all the capital which is really in the property, because there are four of the mills which at the time of the consolidation were paying $196,000 per annum as rentals for water power. They were the Rumford Falls and Niagara Falls, and two other mills which I do not now recall.

Mr. LITTLEFIELD. The Rumford mill is at Rumford Falls?

Mr. NORRIS. Yes, sir.

Mr. LITTLEFIELD. What is the rate of interest they pay on their bond issue?

Mr. NORRIS. I think it is 5 per cent.

Mr. LITTLEFIELD. Five per cent on the bond issue and 6 per cent on the preferred stock, and that, so far as appears, is the total return from the company?

Mr. NORRIS. That is not all.

Mr. LITTLEFIELD. What is the addition?

Mr. NORRIS. Do you want me to go into the detailed figures?

Mr. LITTLEFIELD. Just state briefly.

Mr. NORRIS. In addition they spent last year, my impression is, as taken from their annual statement, that they spent a million dollars for improvements which they charged to the operating account and that they had $680,000 of surplus which was in addition to the interest on the bonds and the dividend on the preferred stock; and then they had a very considerable expenditure which they charged to capital account; but regardless of what the profits were they were making or claimed to make, the actual receipts last year would not fairly indicate the entire or the present paper situation by reason of this fact, that when the International Paper Company was organized a number of the mills made long-time contracts with customers—one for five years, which has, I think, just expired, and another very large consumer, the largest consumer, renewed a contract in the panic period of 1900 for a period which is just now expiring, a customer who was paying $36,000 a week for white paper, over $1,500,000 a year.

Mr. LITTLEFIELD. Some large newspaper?

Mr. NORRIS. Yes, sir; a very large newspaper. That contract is just now expiring, and as a result of this combination, it is paying $300,000 a year more, because these paper manufacturers are permitted to violate the law and to interfere with interstate commerce.

Mr. LITTLEFILD. Your proposition is, so far as the International Paper Company is concerned, that the existing condition from your point of view does not really represent the financial situation, because later it will probably be able to make a better showing?

Mr. NORRIS. It is working to a larger margin between the cost and the revenue.

Mr. LITTLEFIELD. Your idea is that in another year they will show a larger and better balance sheet?

Mr. NORRIS. I am not willing to publicly say that in the course of the next year the International Paper Company will make as much money as it did last year. I do not know. There are natural conditions by which the machinations of the managers of that property may be entirely offset and whereby prices may tumble in spite of them before the year is out. For instance, on the 1st of May 50 tons additional per day will be thrown on the market. On the 1st of July another 50 tons will come on the market.

Mr. LITTLEFIELD. From what source?

Mr. NORRIS. From a new mill.

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Mr. LITTLEFIELD. Where?

Mr. NORRIS. The Berlin mill.

Mr. LITTLEFIELD. Up at Berlin Falls?

Mr. NORRIS. Yes, sir.

Mr. LITTLEFIELD. In New Hampshire?

Mr. NORRIS. Yes, sir.

Mr. DE ARMOND. Is that mill out of the trust?

Mr. NORRIS. Yes, sir; at present it is producing 30 tons per day. Its entire output is provided for. It has no surplus. It is not a disturber in the market, and the programme, the method employed by the conspirators, is that when any new or independent mill comes into the market they allow it to load up promptly with all the contracts it can carry in order that it may be eliminated from competition, and in order that it may not interfere with the method for artificially stimulating prices and imposing undue penalties upon newspaper proprietors.

Mr. LITTLEFIELD. I see that you are quite familiar with the paper business. What has become of the mill built at Portsmouth?

Mr. NORRIS. The White Mountain Paper Company?

Mr. LITTLEFIELD. Yes, sir; I think that is the one. Will they ever operate it?

Mr. NORRIS. They are now going into a reorganization of two companies, one of which will, I understand, control the timber tracts and the other will manufacture paper. I understand that that venture will be put through, and there is every incentive for the establishment of new mills everywhere in the United States.

Mr. LITTLEFIELD. Right there, how long has the White Mountain Paper Company been in process of organization and building—how many years—two or three years?

Mr. NORRIS. I think about one year and a half or two years, so that at the expiration of two and a half years, under ordinary conditions, it would be in shape for manufacture. The White Mountain Company, however, was rather a peculiar proposition.

Mr. LITTLEFIELD. It is an experimental proposition in a way?

Mr. NORRIS. Experimental merely as to the location of the mill.

Mr. LITTLEFIELD. Yes, sir.

Mr. NORRIS. It may have merit.

Mr. LITTLEFIELD. It was located to operate by steam because there was no water power there?

Mr. NORRIS. Yes, sir; but please do not misunderstand me. While that mill was built to operate by steam, I do not mean to say it was built to grind pulp by steam, but merely to operate the paper machine, which can be cheaply and economically operated by steam, especially at tide water. The manufacture of the pulp for that mill was to be done by water power on the Saco River, I think, and there was a pipe line or a novel scheme to carry water. I think they had a scheme also to pump their pulp to it.

Mr. LITTLEFIELD. How many million dollars have been invested in that White Mountain Company?

Mr. NORRIS. I dislike to discuss a property about which I am not fully familiar, but I will tell you what I regard as the inspiration of that mill and which may, and I am sure, does account for whatever troubles it has, namely, that the White Mountain Paper Company was projected by a gentleman who wanted to unload upon that corporation a vast area of timber land which he had in the State of New Hampshire.

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Mr. Littlefield. Whatever the facts may be, there have been several millions invested in the paper company, and before it ever succeeded in producing a pound of paper it went into the hands of a receiver once or twice.

Mr. Norris. It is now in the hands of a receiver; but that has absolutely no reference to the proposition as to whether under natural conditions and without these artificialities and illegal restraints the paper mills now making paper could not do so at a profit. Here are customers paying $26,000,000 a year who would at least furnish trade enough to keep the mills going.

Mr. Littlefield. It simply illustrates what has happened in connection with one investment, which may have been ill advised; I do not know anything about it.

Mr. Norris. I do not say it was ill advised.

Mr. Littlefield. I do not say it was ill advised, but at any rate it has proved up to date to be an elephant on the hands of its projectors.

Mr. Norris. But do not let that convey the wrong impression. I will tell you the trouble with that venture. The money was divided among the promoters instead of being reserved for the working capital necessary to build the mill.

Mr. Littlefield. I do not know anything about it.

Mr. Norris. Your question might imply because that paper mill went into the receiver's hands therefore all paper mills were in distress.

Mr. Gillett. Why do not some of the large papers build their own mills and make their own paper?

Mr. Norris. I went into that subject exhaustively. I gathered a list of all the unused water powers of the United States contiguous to spruce areas, and my judgment was that a newspaper publisher had troubles of his own, and that a newspaper publisher could not make paper as well as a paper manufacturer.

Mr. Palmer. What became of the Record plant?

Mr. Norris. That is a very sad case, and it certainly showed that the proprietor had all the troubles that he needed.

Mr. Gillett. The first-class paper men could put up their capital and build mills?

Mr. Norris. The troubles are in the supervision, and I have advised newspaper proprietors to allow natural conditions to prevail, so that the newspaper proprietor could buy wherever he could buy most cheaply and not tie himself up to a particular location with a particular investment. There are other gentlemen who are entirely willing to finance ventures of that kind if we would undertake to be customers to them.

Mr. Little. If you had free pulp you could manufacture?

Mr. Norris. If we had free pulp we would have paper machines and paper plants all through New England and all through the Lake border of the West, that would relieve us of these illegal restraints.

Mr. Little. And yet, I do not understand, representing as you do some 250 newspapers throughout the country, and a large political influence in the various States, why it is that you can not smoke out the administration and compel the reduction of the duty.

Mr. Norris. Newspapers are cowardly, and a great many newspaper proprietors have an exalted ideal in the tariff, and they do not agree.

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Mr. LITTLE. I did not raise that question as a general question; but it does seem to me that the gentlemen representing this great association of newspapers, which in a large measure formulate public sentiment and direct political parties, ought to be able to smoke the officials out. Mr. Cortelyou has been in office over a year and no investigation has been inaugurated, and the Attorney-General has had $500,000 for that purpose.

Mr. LITTLEFIELD. Nobody has asked the Attorney-General to make an investigation, have they?

Mr. NORRIS. We thought that the best way to proceed was to get the power of Congress behind this investigation, so that we could obtain the information as to the arrangements and general understandings which otherwise we could not obtain.

Mr. GILLETT. You could go to the Attorney-General and lay the matter before him and request him to take some action in the matter.

Mr. NORRIS. Preliminary to any such application as that, we think it is necessary that this "voyage of discovery" shall be made through the Department of Commerce and Labor in order that all the information respecting the agreements and understandings shall be uncovered and then we will be in a position to go to the Attorney-General.

Mr. LITTLEFIELD. The fact is that no one representing your people and interested in the matter has made any application to the Department of Commerce and Labor or to the Attorney-General to act in this matter. Is not that true?

Mr. NORRIS. That is accurate. The entire subject was referred to the committee of which Mr. Seitz is chairman, and this was the plan which we thought commended itself to us as the most promising.

Mr. LITTLEFIELD. I do not understand, Mr. Norris, that you intimate that either the Department of Commerce and Labor or the Department of Justice was in any way remiss in connection with this particular matter?

Mr. NORRIS. Absolutely not.

Mr. LITTLEFIELD. Of course, until their attention was called to it and they were asked to proceed and refused, they could not reasonably be criticised.

Mr. SEITZ. Just one word. About ten days ago Mr. Edward Rosewater, of Omaha, Nebr., independent of our action, saw President Roosevelt and left with him this statement of fact:

> Within the past three years American paper manufacturers have organized a trust that controls the output of all the paper mills in the United States. Having acquired practically a monopoly of the production of the paper fabricated in America, the paper trust regulates the output, so as to maintain the price of paper arbitrarily. In other words, the paper trust completely controls the paper market, and levies a tribute on every newspaper, magazine, and book publisher, as well as upon the national, State, and municipal governments, educational institutions, and mercantile concerns that are compelled to purchase blank books, stationery, and paper of any description.
>
> With the view to checking the rapacity of the paper trust and restoring competition among manufacturers of paper, I would suggest (1) that the Department of Commerce institute an inquiry into the manufacture of paper and the relations that exist between mill owners and corporations that control the output of the mills, (2) should the existence of a combination in restraint of trade and for the control of the paper market be established, proceedings to be instituted by the Department of Justice for the dissolution of the trust corporation and prosecution of its officers.

I think it was about ten or twelve days ago that he left that with the President. I asked him how the President received it, and he said that he did not seem to be thoroughly sympathetic.

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Mr. PALMER. Who left that with the President?

Mr. SEITZ. Mr. Edward Rosewater.

There were just two points raised during the questioning of Mr. Norris that I would like to mention. One gentleman asked why the newspapers had not used their influence. I will give you a little reason. We started in to negotiate with the International Paper Company for a renewal of our contract some years ago. We were dealing with the Glen Falls company, which they had absorbed, and when the vice-president and manager of sales came he read a list of conditions under which they would deal with the New York World, and one of the conditions was, "It is understood as a condition of this contract that during the term of its existence the New York World shall not print anything inimical to the interests of this corporation;" and I believe that they had made that agreement with paper after paper. I can show you a copy of a paper published in New York City by the noisiest trust buster in the business, who every day arrays the trusts in a series of horrifying cartoons, but you will never see any libel on the paper trust.

As to the actual business and earning power of this concern as a factor, I will give you a little story. Years ago some fellows I knew built an elevated railroad in Brooklyn, and they complained that the road did not pay. I went around and dug out some figures, having access to some books, which showed that it was costing them $231,000 a mile to build the road, and that they were bonding it for $750,000, and so I went around, as an innocent young fellow, to the treasurer, and I said, "If you say you can not pay on your capitalization, and it only cost you $231,000 to build the road, why do you bond it for $750,000?" And he said, "Young man, we are merely anticipating the future." And they anticipated the future for about twenty years.

Mr. LITTLEFIELD. I rather infer that there is a distinguished gentleman, to whom you refer, the proprietor of a number of papers, and I infer from what you say that he might have a contract like this that you have suggested.

Mr. SEITZ. It would hardly be in writing.

Mr. LITTLEFIELD. But you wish us to understand that he either has an oral or written understanding of that sort?

Mr. SEITZ. Yes, sir. That is my belief.

The CHAIRMAN. But you do not want to interfere with any man's chances for the Presidency.

Mr. SEITZ. Not in the least.

Mr. DE ARMOND. Do you not believe that the newspapers of the United States in a week could bring about in Congress such legislation as would break the power of this trust just as far as it is possible by legislation to break it, if they would exert themselves to that end?

Mr. SEITZ. I will tell you. One does not like in running a newspaper to use the columns of the paper for such a purpose.

Mr. LITTLEFIELD. That is the ethics of the profession?

Mr. SEITZ. We do not run business as other people do. We believe that owing to the progress of events and to the creation of these combinations it has become essential that some branch of the Government should take care of the public in relation thereto, and that a way is being paved and we want to follow that way.

Thereupon the committee adjourned.

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STATEMENT SUBMITTED BY MR. NORRIS.

THE PAPER COMBINATION.

WASHINGTON, D. C., *April 12, 1901.*

TESTIMONY OF MR. JOHN NORRIS, BUSINESS MANAGER NEW YORK TIMES, NEW YORK.

The commission met at 10.50 a. m., Vice-Chairman Phillips presiding. Mr. John Norris, business manager of the New York Times, appeared as a witness, and, being duly sworn, testified as follows:

PERSONAL STATEMENT OF THE WITNESS.

Q. (By Mr. JENKS.) Will you kindly state how long you have been engaged in the business of buying paper, particularly for the general newspaper industry?—A. Nine years.

Q. With what other large papers have you been connected in New York City?—A. The New York World.

Q. In connection with your business you have been brought into direct contact with the paper combination, I infer?—A. Direct.

Q. If you would make your own statement with reference to the history of the combination and its effect upon newspapers, and so on, we will be glad to receive that first, and ask any questions we wish afterwards.

Mr. CHAIRMAN and GENTLEMEN: You have asked me to appear before you and give information respecting paper prices and the results brought about by the consolidation of a number of paper mills into the International Paper Company. I do so with the utmost willingness, and in summarizing my reply to your inquiries I assert that the International Paper Company has failed in every expectation it held out to the newspapers and to the public. The cost of manufacture is greater under consolidation than under individual ownership of the paper mills. The economies which were to be obtained under the consolidated management have not been realized. The export trade has fallen off, or at least has not increased, though that was to be the strong feature of the consolidated companies' effort. The promised policy of an enlightened self-interest has been abandoned, and the net result to newspaper publishers has been an increase of over $4,800,000 per annum in the cost of news print paper.

The newspaper with which I am connected has always maintained that its opinions can only be expressed through its editorial columns, so I will state preliminarily that I speak for myself only, and not for any particular newspaper, though I have no doubt that practically all the newspapers of the country object to the increase of price. I am in a position to know the views of newspaper publishers, and I can fairly say that I express the views of all the large consumers of news print paper.

AMOUNT AND VARIETY OF PAPER MANUFACTURED.

May I ask your indulgence by suggesting to you at the outset to observe the distinction between paper as used in the general sense, and news print paper as it is limited by this inquiry. To-day there are probably 723 pulp and paper mills in the United States, but the news print mills number 63. The total production of the 723 paper mills in active operation may be any figure up to $195,000,000, according to the credulity of the paper manufacturer who furnishes the figures, but according to the Commissioner of Labor the total is $97,000,000, and this production will include book paper, straw board, writings, manilas, and numberless other articles. But the gross production of the news print paper mills of the country will not exceed $26,000,000. This distinction is important in differentiating the news print mills from all other kinds of paper mills.

THE PAPER INDUSTRY PRIOR TO THE ORGANIZATION OF THE INTERNATIONAL PAPER COMPANY.[a]

For 18 years there had been a steady downward tendency in the price of news print paper, due to many causes, notably the substitution of wood for rags in making pulp, improvements in machinery and in methods of manufacture, increased

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[a] See p. 431.

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consumption, and wholesale production under concentrated supervision, so that in the year 1897, news print paper which had sold 18 years previous for 9 cents per pound, or $180 per ton, was sold, delivered in the newsrooms in New York City, at 1.60 cents per pound, or $32 per ton, payment to be made on the basis that all weight in excess of a given standard—say 114 pounds per 1,000 8-page sheets—should be at the expense of the manufacturer, and that the newspaper should also have the benefit of the deficiency in case the weight of the paper should fall below standard. All white waste was to be taken away by the manufacturer without charge of any kind to the publisher. Three weeks' supply of the paper was to be kept on storage in New York at the expense of the manufacturer, and payment was to be made at an average of 30 days after use of paper. In making yearly contracts with publishers, many manufacturers obligated themselves to meet market prices, so that the newspaper publisher practically had a guarantee that his raw material should not cost him more than the market price. This practice prevailed to a greater extent in the Middle West than in the East, and in the year 1897 the price of news print paper throughout the country—that is, for large dailies—averaged about 1.75 cents per pound, or $35 per ton.

Competition between manufacturers became so intense that they frequently gave long credits to weak newspapers and carried the burdens of bankrupt concerns to the disadvantage of solvent ones. However, the competition had many advantages. It forced economies and improvements in manufactures, increased consumption, and promoted the spread of knowledge. Within the period of seven years the speed of paper-making machines was increased from 200 to 500 feet per minute. Their width was increased to 162 inches. Their capacity for running without stops was improved, and their output was further enhanced by enlargement of orders to such an extent that as many as 5 or 6 fast running machines could be operated continuously day and night from January to December without stopping to change for variation in weight of paper, in width, color, quality, or surface. Pulp made in an adjoining mill would be pumped in a liquid state from the pulp mill to the paper mill, saving probably a dollar per ton upon manufacture in that one item. Numerous economies of a similar character were introduced. Rags were entirely discarded and sulphite pulp was substituted for rags in giving strength and fiber to the paper. The conversion of water power into electric power and its transmission by wire also contributed to cheapen the cost of manufacture. A complete revolution in method was made and news print paper was put upon the car at the mill at a cost of less than $25 per ton. I may say that the cost was brought down to $20 per ton, exclusive of the items of insurance and taxes, depreciation and interest on investment.

This reduction in the price of news print paper and the use of the linotype machine cheapened the cost of producing newspapers and resulted in the enlargement of the size of daily and Sunday editions. It also resulted in the reduction of the retail price of newspapers and in an enormous increase of newspaper circulation, and in corresponding demands upon manufacturers for news print paper. One publication that I have in mind increased in four years from a consumption of 13,000 tons per annum to 30,000 tons per annum. The stimulus given to news print manufacture resulted in an increase of about 400 tons per day capacity during the year 1896. Pulp wood was then cut from the cheap timber lands of Canada and imported free of duty, the transportation to the American mills in many cases being entirely by water. At that time mechanically ground wood or wood pulp was subject to a duty of 10 per cent, the duty averaging $1.20 per ton. The duty on news print paper was 15 per cent, or $3 per ton, but no news print paper was imported.

THE MOVEMENT FOR A CONSOLIDATION OF PAPER MANUFACTURES.

This was the situation when a committee of paper manufacturers, composed of William A. Russell, Hugh J. Chisholm, Warner Miller, A. C. Paine, and Wellington Smith, appeared before the Ways and Means Committee on December 31, 1896, and urged an increase of the tariff on pulp and paper. At that meeting I charged that the manufacturers then present were planning to consolidate all the large news print paper mills of the country; that they proposed to increase the price of news print paper to 2½ cents per pound, and that they were seeking Congressional aid through tariff legislation to assure protection for themselves against the possible competition of Canada, which had limitless possibilities for cheap and ample water power, for cheap timber supplies, and for cheap water routes to the market. The paper manufacturers protested vehemently against the intimation that they contemplated a raise in the price. They declared that if they should consolidate—and I quote the exact words of Mr. William A. Russell, the first president of the International Paper Company—"they would save $1,500,000 per annum by reducing their working force," and that they would also make great gains by developing an immense export trade.

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They declared that every dictate of enlightened self-interest would impel them to keep prices down. They knew that their customers were rich and powerful, and that a combination could not long exist under any other policy. Mr. Russell denied that any newspaper publisher seriously believed there would be an increase of price under the consolidation, because offers of long-time contracts for paper supplies at the then prevailing price had been made to the publishers and had been rejected by them. When asked whether the destruction of competition was contemplated, Mr. Russell replied, "If prices were cheaper, other manufacturers could not exist, but if we put up prices we would hold the umbrella over all."

Replying to those statements, I insisted that the paper manufacturers were taking advantage of tariff protection to combine against their customers for the purpose of raising the price, and that there was no need of tariff legislation because the American manufacturer, by reason of natural resources and advantages, was then able to undersell the world; and I was subsequently confirmed in that statement by the declaration of Mr. Chisholm, of the International Paper Company, at the meeting of the American Paper and Pulp Association in New York in February, 1898, when he painted a roseate picture of the foreign trade in paper awaiting the American manufacturer. He figured that Great Britain, France, and Germany imported $25,000,000 worth of paper annually, and that they shipped goods worth $36,000,000 to other countries, and he asked, "Why should we not have it?" Again, in February, 1899, Mr. Chisholm extended his dream of empire, saying, "If the paper industry of the United States should determine to capture the markets of the world, there is no nation that could stand against us with our natural resources and our national traits of character."

Congress apparently relied upon the promises and pledges of the news-print paper manufacturers, and the duty on mechanically ground wood was increased from 10 per cent, or an average of $1.20 per ton, to $1.67 per ton, and the duty on news-print paper (costing less than 2 cents per pound) was raised by the so-called Dingley bill from 15 per cent, or $3 per ton, to 30 cents per 100 pounds, or $6 per ton. Prior to that enactment no news-print paper had been imported into the United States, and the Government derived absolutely no revenue therefrom, because the American mills could make paper more cheaply than any other mills. The doubling of the rate under such circumstances made the duty prohibitory and paved the way for that increase in price which was subsequently made.

THE INCORPORATION OF THE INTERNATIONAL PAPER COMPANY.[a]

The International Paper Company filed articles of incorporation in New York State on Monday, January 31, 1898, paying a tax of $56,250 to the State, and purporting to be located at Corinth, Saratoga County, N. Y. Its authorized capital stock was $45,000,000, and power was given to issue $10,000,000 in bonds—a total of $55,000,000. The stock was divided into common and preferred, $20,000,000 of common stock, and $25,000,000 of preferred stock at 6 per cent. All the big and profitable paper mills, with a few unimportant exceptions, were merged into the company —24 mills in all—producing about 80 per cent of the American output at that time. Subsequently this number of mills was increased by purchase to 30 and the percentage of output was slightly increased, but the new mills of the Great Northern Paper Company, which were finished last November, have since disturbed and reduced this percentage. The worthless condition of some of the properties acquired by the International Paper Company was fully set forth in a brief prepared by the American Newspaper Publishers' Association on December 11, 1898, and submitted to the joint high commission.

Many of the prime movers in that mill consolidation were men whose mills were located on exhausted water courses and tributary to denuded timber tracts. Some of the mills were deficient in those factors which are essential to competition.

Of the 98 paper machines that were included in the merger only 48 were of recent construction or of desirable patterns, and I am violating no confidence when I say that the new paper company was forced to spend $2,000,000 upon its machinery to bring it to a state of efficiency; but it is also worthy of note that not one new paper machine has been added to the company's plant in a period of three years. One of the mills taken into the consolidation, the Haverhill, has been dismantled; another one, Herkimer, has been used to manufacture butchers' manila paper. One mill that went into the trust with a capitalization of $2,200,000 required an immediate expenditure of $250,000 to put its machinery into condition. One of the machines on which a capitalization of $24,000 per ton daily output had been issued had been operated by Senator Warner Miller when he was a boy. This extraordinary collection of junk was merged with the other and more recent mills and upon practically

[a] See page 432.

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the same terms of capitalization. The organizers of the trust frankly admitted at the time of the consolidation that the common-stock issue of nearly $20,000,000 represented only good will, though they now deny with vehemence that that stock did not represent value. For a period they paid dividends on the common stock, but with the threat of competition those dividends were stopped. Some of the mills acquired by the merger were using leased water powers and were bought by the consolidated company subject to an annual rental of $196,000. Other expenses thrust upon the corporation, if capitalized, would have added many million dollars to the obligations of the company, so that the newspaper publisher was forced to pay the carrying charges upon a capitalization exceeding $55,000,000, though modern plants with improved machinery and better location and more-economical operation could have been built for $15,000,000, leaving a burden of $40,000,000 to be carried by the newspaper publisher.

ECONOMIES PROMISED BY THE INTERNATIONAL PAPER COMPANY.

When the International Paper Company was launched its promoters solemnly assured newspaper publishers, as Mr. Russell had assured the Ways and Means Committee of Congress, that the price of paper would be lower by reason of the consolidation. The savings expected by Mr. Russell were to be obtained:

(1) By displacing salesmen and brokers and jobbers, who would be unnecessary under the new scheme.

(2) By purchasing supplies on a wholesale basis.

(3) By railroad freight savings due to the readjustment of the supplies of the various newspapers, so that paper would be furnished from the nearest mill. Prior to the consolidation the mill at Otis Falls, Me., had been shipping to Chicago; Rumford Falls, Me., had been shipping to St. Louis, and the Lake George mill had been shipping to Bangor, Me.

(4) By creating a foreign demand for American paper. These four important items were to be supplemented by changes which the consolidators said would infuse business methods into newspaper contracts.

(5) By establishing for newspapers a uniform contract which would force publishers to pay for white waste, to pay on a basis of weight and not of production, and to pay for the storage of paper.

(6) By abolishing long credits and by protecting solvent papers from the competition of insolvents.

EXTENT TO WHICH THE PROMISED ECONOMIES HAVE BEEN REALIZED.[a]

The organization of the company was not attended with all the economies which had been promised. A president said to receive a salary of $50,000 per annum was appointed. Paper manufacturers who had been receiving salaries of $7,500 as managers of mills were brought to New York at salaries of $15,000. Salaries of superintendents of mills were also raised. Prior to the consolidation the proprietors of many of the independent mills sold their paper without any charge for sales. Under the consolidation an elaborate sales department was created, with a $15,000 vice-president, and with salaried agents in many of the big cities. Newspaper orders which had previously received the personal attention of the mill owners were turned over to clerks or other subordinates, and little heed was paid to complaints against inferior service or inferior quality. There was a lack of efficiency.

The new company aimed to acquire all the wood supply, and within a few months after consolidation it bought nearly 1,000 square miles of woodland in the United States, in addition to 600 square miles transferred to it in the merger, and it added to its possessions in Canada, so that it now owns 1,600 square miles in the United States and controls over 2,000 square miles in Canada. In the Adirondack region of New York State it owns about 400 square miles, and I saw the statement made by one of the company's officers that it now owns all the spruce timber in the Adirondack Mountains not controlled by the State of New York, or by Mr. G. R. Finch, a lumberman of Glens Falls. Within a few weeks a concern said to be tributary to the International Paper Company acquired 30 square miles of woodlands in Vermont. The effort of the International Company to acquire woodlands in Maine stimulated prices in that State so that tracts which sold three years ago for 65 cents per acre are now held at $3 per acre.

The International Company started to compete with itself in acquiring woodlands; consequently the price of pulp wood advanced, and the pay of the men who cut the

[a] See pp. 423–424, 438.

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wood naturally participated in this stimulus. The eagerness of the International Paper Company to insure to itself an ample supply of wood defeated that economy upon which its expectations had been based. The manufacturers of wires for paper machines—who are not numerous—also effected a community of interest, and they advanced prices. The manufacturers of felts for paper machines did likewise. The tranportation companies also offset the proposed economies of the paper company, first, by increasing rates which had previously been made to the mills on branch lines to meet the competition of mills on the main line; second, and recently, by adding 2 or more cents per 100 pounds to the rates; and, third, by refusing the special rates theretofore granted to enable particular mills to obtain trade from other mills then in competition but now merged.

The export dreams of President Chisholm also vanished. The figures for the year ending June 30, 1900, showed a falling off of over 4,000 tons in volume and $179,000 in value from the year ending June 30, 1898. Ex-Senator Warner Miller, when addressing the Ways and Means Committee of Congress, echoed Mr. Russell's observations that energetic efforts would be made to capture the foreign markets, and he explained that a consolidation of mills could do that which single mills could not do, but the export figures show a falling off instead of an increase, and there is no trace of that dream of $61,000,000 of foreign trade in news print paper which Mr. Chisholm had at the time of the consolidation.

The cost of producing a ton of news-print paper has increased $3 per ton during the three years of consolidation. In no way have any of the expectations of the consolidation been realized, unless possibly on two points: (1) An increase of the price of newspaper print; (2) a reduction in the labor cost per ton of paper. The system of uniform contracts for newspapers adopted by the International Paper Company and by the other interests has been so drafted as to add $2 per ton to the cost of news-print paper upon apparently the same quotation, by charging white waste to the publisher, by charging for weight instead of for production, and by allowing a greater margin of variation from the standard of weight. These changes in the form of contract would, upon a consumption of 600,000 tons of news print per annum, net an annual gain of $1,000,000 to the paper manufacturers without apparently changing the quotation price for paper. I am also told by paper makers that as a result of the consolidation the pay of some of their skilled labor has been advanced from $2.75 to $3.50 per day, but that by reason of changes in methods of manufacture the actual labor cost of a ton of paper has, in the best equipped paper mills, been brought to less than 12 cents per hundred pounds, or $2.40 per ton. This economy is insignificant in comparison with the increase in the cost of wood, felts, wires, coal, and chemicals that enter into paper manufacture.

PRICES UNDER THE CONSOLIDATION.[a]

The news-print paper mills received an average of about 1.75 cents per pound, or $35 per ton, under the old form of contract for paper prior to the consolidation, and they are now receiving, I am told, an average of $41 per ton for paper under the new form of contract. One of the officers of the International Paper Company, in a statement to the paper trade issued November 1, 1900, said 2.25 cents per pound, or $45 per ton, was a low price for paper. The difference between the two forms of contract, equaling $2 per ton, when added to the $6 difference of average quotation, makes an increase of $8 per ton within three years on an estimated output of 600,000 tons per annum, or $4,800,000 per annum, which is the additional price now paid for news-print paper by American newspapers. The International Paper Company shares in this gain to the extent of about 66 per cent, or 3⅓ million dollars per annum. I know of two newspapers that are paying an increase of $150,000 per annum for their paper supply, or $300,000 per annum for the two.

The daily output of the various producers of news print paper may be enumerated as follows:

	Tons per day.
International Paper Company	1,300
Great Northern Paper Company with a present output of	225
Nine outside mills in the East, average	280
Eight western companies	250
Average total	2,055

In this computation I have omitted a few Pacific companies and southern paper mills which are not factors in this computation.

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[a] See pp. 433–435.

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The western paper companies are practically united in the General Paper Company, and an offer was recently made to unite all of the outside mills of the East in a scheme to maintain prices at the figure quoted by the International Paper Company. Sufficient evidence to show collusion is not forthcoming, but publishers who apply for quotations realize that in some intangible way the source of their supply has been predetermined for them, and that the price they are to pay has been prearranged for them. In each case the publisher finds that all bids but one are at a prohibitory price. He also finds that he has no remedy against the supply of inferior paper.

You ask if the consolidation of the mills has curtailed consumption. I can say that as a result of the increased price of paper many newspapers have reduced in size. At one time the New York daily newspapers curtailed 80 tons per week in their consumption. I am told that Philadelphia newspapers took similar steps.

INEQUALITIES IN THE PRICE OF PAPER.

Under the conditions prior to the consolidation the price of news-print paper was continuously reduced, and many newspapers were enabled to secure the prevailing rates by reason of the obligations of paper manufacturers to meet the market price. Under the present form of contract no such adjustment is possible. In August and September, 1899, the International Paper Company and other manufacturers fell into a panic and prices dropped to the figure prevailing in the summer of 1897. Numerous contracts were made on the low prices in 1899, so that when prices recovered later in the year, owing to the drought, there was a greater disparity of price than had prevailed prior to the consolidation. These inequalities prevailed throughout 1900 in many cases, but in 1901 there was a rise that was suspiciously regular. Practically 4 interests now fix prices instead of 60, and the newspapers are liable to more violent fluctuations to-day than they encountered in 1897. I may illustrate: After 3 years of effort by the International Paper Company toward the equalization of prices, there is one newspaper that is paying to that company a price of 1.80 cents per pound for a fine quality of a news-print paper, while another newspaper in the same city, using four times the quantity, is paying 2.15 cents per pound for paper of an inferior quality—a difference of $7 per ton in price, in addition to the inferiority in the article furnished.

In the summer season there is usually a considerable reduction in the size of newspapers and there is a corresponding reduction in consumption. Prior to the consolidation this situation resulted in a gorge of output in the summer and a cutting of prices. The consolidation of the paper mills has given opportunity for restricting that summer output, though in 1899 the restriction was not fully carried out. One of the manufacturers tells me that 50,000 tons of paper in excess of current requirements were stored in that summer.

COMPETITORS OF THE INTERNATIONAL PAPER COMPANY.

When the International Paper Company was formed, in 1898, its projectors claimed that, in addition to owning all the timber tracts, it owned water powers of 143,000 horse-power, and that it had acquired properties capable of developing an additional 100,000 horse-power. But within a few months after the consolidation, and as a result of the methods which it had adopted toward the paper trade generally, a rival interest was created, which has since materialized into the Great Northern Paper Company, with an output at present exceeding 225 tons per day, and with a possibility and a probability of 500 tons per day output, and that at a capitalization per ton of daily output that is less than one-half the capitalization of the International Paper Company, and with no bonds to provide for.

Another mill, at St. Regis., N. Y., with an estimated capacity of 100 tons per day, will begin manufacture on the 1st day of July, and a 50-ton mill in northern New York will begin in September.

Before the close of the year 1901 the capacity for production of news-print paper will have increased 450 tons per day, as compared with the period prior to the consolidation, and it is interesting to know that the news-print output of the International Paper Company for the year ending June 30, 1900, was less than 1,200 tons per day, though the 24 mills that were merged during January, 1898, and the 6 mills subsequently acquired had a rated capacity of 1,576 tons per day and were bought on that basis.

The possibilities of competition with the International Paper Company in the manufacture of news-print paper in the United States have been barely infringed, provided that timber or the mechanically ground wood can be obtained from Canada. In addition to 60,000-horsepower development at Sault Ste. Marie, on both sides of

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the St. Marys River, there is an opportunity for an additional development of 100,000 horsepower.

The enterprise at Massena, N. Y., on the St. Lawrence River, will make an additional 40,000 horsepower available. At a meeting of the American Paper and Pulp Association, one speaker said there was a possible development of 5,000,000 horsepower by water in the United States, and that the development made up to 1890, excluding the Canadian half of the Niagara Falls, was 1¼ million horsepower, or one-fourth of the total. It should be stated that a successful paper mill requires cheap and ample water power, cheap and ample spruce timber, cheap routes to market, improved machinery, wholesale production and concentrated supervision. The American side of Sault Ste. Marie could fulfill all of those conditions if Canadian timber were available, and could develop more water power than all of the 30 properties of the International Paper Company combined, and such a venture would never be subject to drought, as are the international company's mills, because it is supplied by Lake Superior. Under present conditions and according to Mr. Russell's clever phrasing, the International Paper Company must hold the umbrella over all of the outside mills, whether they are new or old. It must cover all of their paper machines at good prices before it can raise, or even maintain, prices. It has, therefore, put a large premium upon competition with itself.

REASONS FOR THE PRESENT HIGH PRICE OF PAPER.

The present excessive price of paper was made possible by 4 incidents: First, the Spanish-American war, which created an extraordinary demand for news-print paper; second, the South African war, which deflected the Canadian output of wood pulp to Great Britian; third, the phenomenal drought of 1899 and 1900; fourth, the adoption by the International Paper Company of the policy of attempting to check competition, and thereby marking up the price of wood upon itself and upon all other mills.

CANADIAN REPRISALS.

This exclusive policy of the International Paper Company led it to oppose the efforts for Canadian reciprocity which were under way through the offices of the Joint High Commission. The opposition thus developed provoked Canadian reprisals. The Province of Ontario prohibited the export of any logs cut from Crown lands. The Province of Quebec imposed a license fee of $1.50 per cord upon all logs cut for American use. The burden of these reprisals, the advance in wood prices, and the increased cost of paper fell upon the consumer, who in most cases has been unable to shift his load upon the public. Canada has spruce forests that are said to extend from the most easterly point of Labrador to the Yukon on the west, and from the St. Lawrence River on the south to Hudson Bay on the north. It sought to encourage the cutting of that timber, and the manufacture of mechanically ground wood, or wood pulp, within its borders.

It resented the attitude of the American news-print paper manufacturers, and retaliated upon American users of its logs who had previously obtained their supplies without any export duty. The effect of this action upon American forests can not be a matter of dispute. The menace to our natural interests by the denudation of American forests was fully set forth in a brief submitted to the Joint High Commission on January 23, 1899, by the American Newspaper Publishers' Association, which showed that the stripping of our forests by pulp mills and sawmills in the 4 States of Maine, New Hampshire, Vermont, and New York was progressing at the rate of 1,700 square miles per annum. The State of New York, to protect the flow of its rivers, and because of its appreciation of the relation of forest cover to the water supply, prohibited the cutting of timber of any kind in a territory comprising 4,000 square miles for a period of twenty years.

The Chief of the Bureau of Forestry of the National Department of Agriculture has reported that, "The original forests can not long suffice to supply the increasing demands for spruce which are made upon them." Three commissions of New Hampshire have reported that the present methods of cutting, if continued, will entail baleful scenic, climatic, and economical results, injuring the health and property of all citizens, impairing the industrial development of the State, and rendering intermittent the flow of the rivers which are most important to agriculture and manufacture. Every public interest requires the conservation of our forest resources, and the adoption of that provident policy which shall keep our future wants in view and not put a premium upon the destruction of great national treasures.

My suggestion is that an effort be made to promote trade relations with Canada for free pulp and free paper, or at least free pulp, thereby protecting our forests and

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utilizing Canada's great stores of timber. We should adopt the plan which President McKinley has advocated of remitting "those taxes which experience has shown to be most burdensome to the industries of the people." The tariff on wood pulp is not maintained for revenue, because the entire duty paid in 1900 was small, and because one-half of the pulp wood used by the International Paper Company comes from Canada, and because spruce consumption exceeds the accessible supply.

CONSIDERATIONS REGARDING LABOR.

The entire labor roll of all the news-print pulp and paper mills of the country will average $7 per ton, or $4,200,000 per annum, a sum which is exceeded by the combined pay rolls of four daily newspapers in the city of New York. If consideration is to be given to the labor employed in the paper mills, consideration should also be given to two points: First, the statement of President Chisholm that America can successfully compete for the markets of the world, and therefore the labor in that industry needs no protection; second, that the labor employed in the newspapers affected by this tariff numbers forty times the force employed in the paper mills and is equally entitled to consideration and protection against a movement that has taken advantage of tariff legislation to oppress and tax a purely American industry and to promote a so-called community of interest. Any tax upon news-print paper is a tax upon knowledge and upon the educatton of the people.

BRIEFS SUBMITTED BY THE AMERICAN NEWSPAPER PUBLISHERS' ASSOCIATION TO THE JOINT HIGH COMMISSION.[a]

Q. (By Mr. JENKS.) You have referred to the briefs submitted by the American Newspaper Publishers' Association to the Joint High Commission appointed for the adjustment of questions between the United States and Canada. In what way were you yourself connected with the preparation of these briefs?—A. I prepared them.

Q. You were the chairman of the special committee?—A. At that time.

Q. I understand you to submit these as part of your evidence also?—A. That is right.

Copy of brief in favor of free paper and free pulp.

At a regular meeting of the board of directors of the American Newspaper Publishers' Association, held in New York on December 13, 1898, the following resolution was adopted:

Resolved, That the brief on the subject of admitting print paper and pulp free from Canada be forwarded to the United States and British Joint High Commission, now in session at Washington, as an expression of the views of the board of directors of the American Newspaper Publishers' Association.

Attest.

WILLIAM C. BRYANT, *Secretary.*

The following is a list of the United States High Commissioners: Charles W. Fairbanks, chairman; Charles J. Faulkner, Nelson Dingley, John W. Foster, John A. Kasson, T. Jefferson Coolidge, Chandler P. Anderson, secretary.

Address, Washington, D. C.

TEXT OF BRIEF.

The directors of the American Newspaper Publishers' Association, representing 157 daily newspapers of the United States, and representing the bulk of the total consumption of print paper, respectfully request the American members of the Joint High Commission to advocate the inclusion of free paper and free pulp in the adjustment of our relations with Canada, and in support of this request submit the following reasons therefor:

The present tariff rate on printing paper, unsized, sized, or glued, suitable for books and newspapers, valued at not above 2 cents per pound, is three-tenths of a cent per pound, or $6 per ton. The tariff rate on mechanically ground wood pulp is one-twelfth of a cent per pound, or $1.67 per ton.

During the year ending June 30, 1898, the paper manufacturers of the United States exported 53,718 tons of printing paper (news and book), valued at $2,702,351, an average of 1,000 tons per week. No paper for news printing is brought into the United States.

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[a] See briefs submitted by Senator Miller, pp. 440–445.

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The total importations of pulp wood in twelve months ended June 30, 1898 (according to the Paper Mill of August 11, 1898), were 29,846 tons, valued at $601,642, against 41,707 tons in 1897, valued at $800,886.

The entire revenue received from the importation of mechanically ground wood pulp last year was $41,842, and as no news paper was imported, therefore no serious question of national economy or threatening deficits could be urged in opposition to free pulp and free paper.

The tariff on paper is prohibitory and the rate for wood pulp is excessive. The American paper manufacturers need no protection, because they can manufacture paper cheaper than is done in any other part of the world. The American manufacturers are protected to the extent of $1.60 per ton by reason of their proximity to their customers. The difference in the cost of transportation to market is their great guaranty of security against Canada or any foreign country. They are also protected by reason of their ability to obtain cheaper and more convenient supplies of coal and chemicals, which as yet are not obtainable in the Canadian forests. American manufacturers are now supplying the Australian and Japanese markets, and are underselling the British, Swedish, and German manufacturers in the British market.

In January, 1898, all the big and profitable paper mills of the United States, with a few unimportant exceptions, were merged into the International Paper Company, a combination that absorbed 24 mills, producing about 80 per cent of the entire American output. This corporation, or trust, was capitalized upon a basis of $55,000,000, divided as follows:

Bonds	$10,000,000
Preferred stock	25,000,000
Common stock	20,000,000

The basis of the consolidation was as follows:

Tons.	Corporation.	Total.
135	Glen Manufacturing Co.	$4,344,000
70	Winnipiseogee	2,135,100
100	Fall Mountain	4,105,507
20	Russell Paper	684,000
120	Niagara Falls	3,059,800
26	Webster Paper	592,800
40	Haverhill	228,000
150	Hudson River	3,193,280
275	Plattsburg Glens Falls St. Maurice Lumber	7,985,635
20	Umbagog	556,800
150	Otis Falls	4,976,530
60	Falmouth	
25	Herkimer	592,800
50	Lake George	1,231,200
11	Turners Falls	228,000
50	Montague	1,048,800
100	Rumford Falls (plus woodland)	2,280,000
30	Piercefield	506,000
26	Ontario	412,000

The pretext given for the organization of the trust was the inability of mills to make paper at prevailing prices—that bankruptcy stared them in the face.

This combination was really formed to protect the proprietors whose mills were in poor localities or on streams that were running dry. Every mill owner who entered that trust invited a withdrawal of Government favor. Excessive and improper prices were paid for many mills that were located on exhausted water courses and that were tributary to denuded timber tracts; for mills that at periods of the year have an insufficient supply of water, or are under water; for mills that are inferior and worthless in machinery, equipment, and construction; for mills that must pay excessive rental for water power; for mills that do not own or control woodlands; for mills that have neither pulp-grinding attachments nor sulphite pulp auxiliaries.

Five of the paper mills (Rumford, Niagara, Fall Mountain, Turners Falls, and Montague) obtain their power at a total annual cost of $196,000 per annum. Two others are run by steam, which makes competition impossible, and 5 others have insufficient power. Four owned no woodlands, and 10 of the mills had no sulphite auxiliaries.

Ninety-eight paper-making machines were comprised in the plants of these mills, but only 48 of the 98 machines were of recent construction or of desirable pattern.

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Fifty of the 98 paper machines in the mills were almost worthless, and 1 machine, computed in the appraisement at high value, was actually tended by ex-Senator Warner Miller when he was a boy. Not one of the mills in all the combination possessed all of the 6 essentials of the cheapest and most successful manufacture; namely, cheap wood, cheap and ample water power, cheap rates to market, modern machinery, wholesale production, and concentration at one place under one supervision.

One mill included in this combination (Rumford Falls) made profits of $488,000 in 44 months on a capital of $500,000, and entered the trust on a basis that yielded $4.50 for every dollar of original investment, so that in 44 months the total return on an investment of $500,000 was $2,750,000. Yet that mill was in such poor shape when acquired by the trust that an enormous outlay was necessary to bring it into condition.

Another mill averaged profits of from 32 per cent to 48 per cent per annum, and took $4 in trust securities for every $1 of its stock.

One plant, which could not make news paper on a number of its machines, was unloaded upon the trust at a valuation of $22,000 per ton of daily output, whereas the most intelligent and best authorities agree that the plants equipped with modern machinery, capable of producing paper under the most economical and most satisfactory conditions, can be installed at less than $10,000 per ton of daily output.

Another mill, that had not made any money in ten years, was turned in at $22,000 per ton of daily output, yet it was a book mill and did not turn out 1 pound of news paper.

For a mill that made not 1 cent of profit in 1897—a mill which has no water power, no sulphite attachment, and which carted its pulp two miles—an appraisement of $570,000 was put upon it in its merger into the trust.

An allowance of nearly $8,000,000 was made for a mill, one-half of which might better be located upon Boston Common or in New York City. Five years ago the stock capital of that concern had been $300,000.

Another company, which was merged into the trust on a basis of $3,500,000, had been started on an investment of $60,000.

These details are given to show the character of security which you are now asked to protect.

The organizers of the trust frankly admitted at the outset that its common stock represented only good will, yet a quarterly dividend of 1 per cent on the common stock was declared in November, payable December 31, 1898. This common stock is now selling on Wall street at 60. A circular issued by Hatch & Foote on July 15, 1898, and based upon information "furnished by officers" of the International Paper Company, showed that it was making a profit of $10 per ton on its output. The same authority states that the trust handles 143,500 horsepower; that it owns 450,000 acres of spruce land in New York, New Hampshire, Vermont, Main, and Michigan, and holds government licenses for 1,132,000 acres in Canada.

The capital represented by the annual rentals of $196,000 per year for water power and by other fixed charges paid by the trust would increase the total capitalization representated by that combination to $65,000,000. The entire output of this corporation, representing 1,420 tons per day for theoretical capacity, could be reproduced by a present investment of $15,000,000, so that the American consumers of newspapers are forced to pay dividends upon an inflated and wholly fictitious valuation of at least $40,000,000.

This combination of 24 mills, while embracing many inferior and worthless mills, also included practically all of the locations in the United States where cheap and ample water power, cheap and good spruce wood, and cheap rates to market can be obtained for a mill of 100 tons daily capacity.

Immediately after the organization of the trust it raised the price of paper wherever possible. In three cases it raised the price $10 per ton, and has averaged an increase of $5 per ton on its daily output of 1,420 tons, equaling an increased tax of $2,130,000 per annum upon the newspapers of the country, which now pay a total exceeding $20,000,000 per annum for their paper supply.

A reciprocal arrangement with Canada for free paper and free pulp is advisable to insure the continuance of the present supply of free logs from Canada. The threatened retaliatory export duty upon logs to be imposed by Canada would ultimately fall upon the newspaper consumer. The present consumption of pulp wood by the pulp and paper mills of the United States, including manila, book, and writing, is stated, upon authority of the Paper Maker, a paper trade journal, at 2,000,000 cords per annum, which consumption requires the entire stripping of pulp timber on 625 square miles per annum.

Our spruce-wood supply is limited. We therefore urge that the commission should take advantage of the present opportunity and immediately secure a sufficient supply of spruce freed from tariff complications.

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The trust, in furtherance of its policy of stifling competition and controlling prices, has increased its timber holdings since this Hatch & Foote statement of July 15 was issued, and that ownership is more than sufficient to give it a wood supply for a long period of years on present production. There are no considerable water powers beyond the control of the trust which can be utilized to operate large plants in competition with the trust, so that all that might be done in the United States toward the enlistment of capital, the development of new enterprises, or the conversion of manila mills to news, or the extension of pulp or sulphite mills to news production, would be inconsiderable in comparison with the wiping out of the duty on paper and the opening of Canada to our relief.

The enlightened policy of New York and other States in protecting forests should be encouraged by putting Canadian pulp and paper on the free list. If consideration be given by the commissioners to the inflated securities issued upon the trust paper mills, then consideration should also be given to the capital invested in newspapers, which represents at least twenty times the capital actually invested in the paper mills. If the commissioners feel that the labor employed in the paper mills ought to be protected, then we submit that the labor employed in the newspapers affected by this tariff, numbering forty times the force employed in the paper mills, should also be considered.

Every increase of a quarter cent per pound in the price of news paper adds $34,000,000 to the value of the trust securities. While the enlistment of capital in American enterprises may exercise a slightly deterrent influence on the paper trust, the effect can not be material, because the trust owns the largest and best powers in localities where spruce wood is cheap and from which transportation is prompt and cheap. A successful and energetic competition can not be maintained within the United States. The outside mills that do or can make paper are not equipped for the economical manufacture of news paper. We must look to Canada and the foreign countries where ground wood can be produced at a cost of $7.50 per ton and where news paper can be produced for 1 cent per pound. Free paper is, therefore, the only strong and permanent assurance of protection from this combination.

The commissioners should consider whether they are justified in furnishing protection to a combination organized in restraint of trade and intended to extort excessive prices from a representative industry.

The question of protection or free trade has nothing to do with the question of free paper or free pulp. The tariff duties on these articles have been availed of by a monopoly to obtain an unfair advantage, and the issue is not one of revenue. The duties are not needed to protect any paper or pulp mill in competition with foreign rivals.

The duty on paper stops cheap books and cheap newspapers. It taxes intelligence, because the newspapers are the people's school and their library. All taxes upon paper are taxes upon reading, upon knowledge, upon the dissemination of information. Under any government such a tax would be oppressive and proscriptive. In a government based, as ours is, upon the intelligence and resultant virtue of the people, it is anomalous and monstrous. To make newspapers artificially dear is wantonly to restrict the number of readers and so increase the sum of ignorance. When this is done or proposed simply to add to the profits of a monopoly, the injury to public interests becomes a matter demanding the intervention of the Government.

COPY OF SECOND BRIEF SUBMITTED.

[Will editors kindly notice, and oblige John Norris, chairman special committee on paper, American Newspaper Publishers' Association.]

NEWSPAPERS URGE THE PRESERVATION OF OUR FORESTS—BRIEF SUBMITTED TO JOINT HIGH COMMISSION FOR ADJUSTMENT OF QUESTIONS BETWEEN THE UNITED STATES AND CANADA.

JANUARY 25, 1899.

The American Newspaper Publishers' Association desires to supplement its brief on free paper and free pulp by directing the attention of the American members of the Joint High Commission to the urgency of a provident policy which shall protect and preserve our forests. The best authority in the United States on this subject says that the denudation of our forests by pulp mills and sawmills in the four States of Maine, New Hampshire, Vermont, and New York is progressing at the rate of 1,700 square miles per annum. The chief of the Bureau of Forestry of the Department of

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Agriculture at Washington calculates that forest fires are causing an annual loss of $20,000,000.

The latest records of the Geographical Survey show that the low-water level of our important lakes and rivers has been declining steadily for the last ten years, reaching their lowest point in the year 1896, and that the decline of the water level on Lakes Huron and Michigan is especially noticeable. Many lakes in the Northwest have entirely disappeared.

In considering the timber problem of the country, spruce wood constitutes a most important factor. There is no available spruce in the United States west of New York except a limited amount in West Virginia, a patch of 50,000 acres in Michigan owned by Niagara paper mills, and a similar area in Wisconsin. It is therefore fair to consider the question of preserving the spruce forests as applying mainly to New England and New York.

In the State of Maine there are 420 timber townships, but all of the townships accessible to large rivers are entirely denuded of their valuable timber, some have been cut over the second or third time, and there are very few, if any, that have not been cut over once for pine and spruce.

In New Hampshire, at the present rate of cutting, the State forestry commission has said that the entire forest resources of the State would be exhausted in twelve years; others have fixed eight years. Lumbermen in that State cut everything down to six inches at the stump, so that there is no reproduction by growth.

Vermont has already reached a point where it can barely supply its home demand. The State of New York, by constitutional amendment, has prohibited the cutting of timber of any kind in a territory covering 4,000 square miles for a period of twenty years. In the year 1894 the State of New York took a determined stand against the destruction of its forests by setting aside the Adirondack Park, which contains 2,807,760 out of 3,588,803 acres of available spruce area in the State. An appropriation of $1,500,000 has been made recently for the acquirement of additional forests, and the people of the State have recognized the fact that the stripping of forests, and the almost inevitable forest fires which attend that stripping, have involved immense public concerns, producing disastrous floods, affecting the flow of the rivers, destroying agriculture and manufacture. But the most important aspect of the timber situation is the relation of the forest cover to the water supply.

Mr. Gifford Pinchot, now chief of the Forestry Bureau of the National Department of Agriculture, wrote in 1898 as follows: "The harvest of the timber crop is commonly accompanied, under the usual methods of lumbering, by the destruction of the forest when merchantable trees predominate, and in any case by severe and needless injury. Fire follows the lumbermen until in many places it is thought to be inevitable. The original forests can not long suffice to supply the increasing demands for spruce which are made upon them." Commenting upon the methods of lumbering in New York, he wrote: "The spruce is removed and no provision of any kind is made for its reproduction. Cutting for pulp does more harm than cutting for lumber, because it takes a vastly greater number of trees"—that is, trees of a smaller size.

The effect of the denudation of the forests upon the water supply of communities may be instanced notably in the case of the city of Philadelphia, which is now looking for a new source of supply because of the stripping of the timber in the headwaters of the Schuylkill River, which has furnished that city's supply.

The Pennsylvania legislature of 1897 provided for the purchase of three forest reserves of not less than 40,000 acres each, and the Wisconsin assembly appointed a commission to formulate and recommend forest legislation. Minnesota has probably the best forest-fire law of any State, with a fire warden as executive officer. In New Jersey and North Carolina the geological survey is specially charged with forest interests.

Forestry associations have been organized in the States of New York, Pennsylvania, New Jersey, Colorado, Utah, Ohio, Kentucky, Minnesota, Texas, North Dakota, Wisconsin, and South Carolina, and forestry commissions have been established in Maine, New Hampshire, New York, Colorado, California, and Wisconsin to devise means for stopping forest fires and to stop the vandal methods of lumbermen. The waste and loss have been so great and the danger to the public has become so menacing that a Bureau of Forestry was created by the Department of Agriculture to cultivate the general application of forestry principles to the harvesting of timber crops and to point out the injuries that attend rapid deforestation. Two forestry schools have been established for the same purpose—one at the Cornell University and one at Biltmore, N. C.

There are now 30 forest reservations created by Presidential proclamation, embracing an area of 62,000 square miles, and extending over large portions of 13 States and Territories, where Government lands are located. So important has the question of

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forest cover become that the National Irrigation Congress, convened at Lincoln, Nebr., on September 30, 1897, unanimously advocated the withdrawal from sale of all Government lands which are of more value for their timber than for agriculture or for minerals. It advocated this policy to protect the flow of rivers and to produce timber to supply the needs of agriculture and mining and the demands of commerce. On December 8, 1897, the American Forestry Association joined in that recommendation.

Conditions have radically changed since the early settlers cleared away the virgin forest. Millions of population must now be considered, and climate, health, water supply, and kindred matters present new problems for governmental action. The courts of California stopped hydraulic mining of gold in 1882 when the washings of the gold hills filled the Sacramento and other rivers and threatened agriculture. How much more serious is the effect of rapid deforestation upon all private and public interests?

Three commissions in New Hampshire have reported that the present methods of lumbering, if continued, will entail baleful scenic, climatic, and economical results, injuring health, property, and occupations of all citizens, impairing the industrial development of the State, and rendering intermittent the flow of the rivers which are most important to agriculture and manufacture.

The interests of the public generally as distinguished from those of a class—lumbermen—require the conversation of the forest resources. In view of these serious aspects of the situation we are confident that an enlightened self-interest will impel the treaty makers in dealing with Canada to follow that provident policy which shall keep our future wants in view, and which shall not put a premium upon the destruction of great national treasures.

The present wasteful method will inflict upon the agricultural interests of the country an injury which will be felt in every part, and which in the mountainous regions threatens to become disastrous and irremediable. It will bring upon some sections all the calamities experienced from the same causes in Europe and Asia. A distinguished Secretary of the Interior has said it will sacrifice the argricultural interests, and in the course of time make our valleys unfit for the habitation of men.

STATEMENT OF MR. C. W. LYMAN, 30 BROAD STREET, NEW YORK, N. Y.

Mr. LYMAN. I am here in connection with the Lilley resolution, on which you gave a hearing last week. I represent the International Paper Company. You granted us a week in which to prepare a reply, which I am now here to submit. The time was rather short; otherwise we would have had the statement printed, so that each member might have a copy; but as it is we only have one copy, which, with your permission, I will read.

This is a statement made up by taking the report of the statement made by Messrs. Seitz and Norris, and taking out such points as we wish to answer, we have answered them as briefly as possible.

The whole statement is in the form of an affidavit, sworn to by the president of the International Paper Company and by the second vice-president and manager of sales. I will read the affidavit.

STATE OF NEW YORK,
City and County of New York, ss:

Hugh J. Chisholm and Tom T. Waller, being duly sworn, depose and say, and each for himself deposes and says, that he, Hugh J. Chisholm, is the president, and he, Tom T. Waller, is the second vice-president and general manager of the sales department of the International Paper Company. That they have read the foregoing replies to the statements made by Messrs. Don C. Seitz and John Norris before the Judiciary Committee of the House of Representatives, and that the allegations and denials contained in said replies are true to the best of their knowledge and belief.

HUGH J. CHISHOLM,
TOM T. WALLER.

Sworn to before me this 12th day of April, 1904.
[SEAL.]

E. W. KENNEDY,
Notary Public, Kings County.

Certificate filed in New York County.

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STATEMENTS MADE BY MR. SEITZ AND REPLIES TO SAME.

[It is assumed that these statements apply merely to news print paper suitable for the publication of daily newspapers, and, accordingly, replies of the International Paper Company apply only to the same class of paper.]

STATEMENTS.	REPLIES.
(1) "We represent in reality about 22,000 (daily newspapers) published in the United States."	We understand that they really represent only themselves, although they claim to represent the Newspaper Publishers' Association with a membership of 230. This membership comprises duplications to the extent of representing the same management under different names, and also represents many papers issued in the Dominion of Canada. The American Newspaper Directory, issued in September, 1902, by Messrs. Geo. P. Rowell & Co., states that the total number of newspapers and periodicals published in the United States is 20,156, this figure representing daily, quarterly, bimonthly, monthly, semimonthly, and weekly publications; the actual daily publications totalling 2,169, and not 22,000, as stated by Mr. Seitz. Generally speaking, it is only the daily publications that utilize newspaper of the grade made by the International Paper Company.
(2) "All the newspaper publishers are dependent upon practically two manufacturing organizations for their paper supply." (Referring as subsequently appears to the International Paper Company and General Paper Company.)	There are the following separate companies manufacturing and dealing in news print papers, located in the eastern portion of the United States, exclusive of the International Paper Company, and their product represents a daily output of over 1,000 tons: Great Northern Paper Company. W. H. Parsons & Co. St. Regis Paper Company. Taggarts Paper Company. Berlin Mills Company. Dalton Paper Mills. Schroon River Paper Mills. West End Paper Company. Remington-Martin Paper Company. Raymondsville Paper Company. Cliff Paper Company. Pettebone Paper Company. Oswego Falls Paper Company. Genesee Paper Company. J. E. Henry & Sons. Gould Paper Company. Aldrich Paper Company. P. H. Smeallie & Co.

Mr. POWERS. Do you know of your own knowledge whether these different concerns manufacture paper for use in newspaper establishments?

Mr. LYMAN. Yes, sir, they do.

Mr. LILLEY. If I may be permitted to ask a question, is it not true that at some annual meeting or dinner Mr. Seitz, Mr. Norris, and Mr.

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Hamlin, of the St. Paul Pioneer Press, were appointed a committee to represent the American Newpaper Publishers' Association?

Mr. LYMAN. We have been unable to find any record or to get a copy of such a resolution. There was no such resolution passed at the meeting at which this discussion was had of the newspaper situation. It was resolved to appeal to the President and the Department of Commerce and Labor; there was no committee appointed at that time.

Mr. LILLEY. I will be glad to give you information that there was, and that those three men were appointed.

I would like to ask a second question: Is it not true that the International Paper Company takes the output of most of the independent companies?

Mr. LYMAN. It is absolutely not true, and that will be shown, I think, to your satisfaction before I finish reading this statement. This statement is necessarily voluminous, and if you would defer asking questions until afterwards I think you will find that almost every point that is suggested to you is covered.

STATEMENTS.	REPLIES.
(3) "We are here to make direct charges that there now exists between these paper companies or trusts and the smaller companies a combination in restraint of trade."	There is not now and never has been any combination, agreement, or arrangement of any kind or description between the International Paper Company and the General Paper Company; nor has there been any such combination, agreement, or arrangement between the International Paper Company and any other paper manufacturer, excepting only three companies, part of whose product is sold on a commission basis.
(4) "There is a territorial division between the International Paper Company, of New York, and the General Paper Company."	Such statement is absolutely false. There is no territorial division or allotment of territory existing between the International Paper Company and the General Paper Company or the International Paper Company and any other manufacturing company. Both companies sell in Chicago and St. Louis and other western cities and in the States of Ohio and Indiana. To the best of the deponent's knowledge and belief, prior to the formation of either company, news paper manufactured in the mills now owned or controlled by the General Paper Company never was sold east of the points where it is sold to-day. Since the organization of the two companies many orders have been taken in open competition from one company by the other; for example, the Chicago Post taken by the General Paper Company from the International Paper Company within the last ninety days; the St. Louis Star, the New Orleans Item, Kansas City Journal, and Cleveland World taken by the General Paper Company from the International Paper Company.

I might say that there is now a large order coming into the field which both companies are after.

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STATEMENTS.	REPLIES.
(5) "The International Paper Company which controls the paper mills of the East."	The International Paper Company has taken from the General Paper Company the Decatur Review and Muncie Star. The International Paper Company controls no paper mills in the East or elsewhere except its component mills, owned by it, and there are in fact mills in the East producing over 1,000 tons daily independent product.
(6) "They [General Paper Company and International Paper Company] represent practically all the paper product of the country."	The annual production of newspaper in the United States is now about 3,000 tons per day. The production of the International Paper Company and the accredited production of the General Paper Company in the aggregate represent less than 60 per cent of the country's daily product.
(7) "It [General Paper Company and International Paper Company] actually controls the price and the production of other mills."	The International Paper Company controls no product or price applying on any product excepting as stated in reply to statement No. 3. The census of 1900 gives the daily production of news-print paper as approximately 1,850 tons. The daily production for the calendar year 1903 can safely be stated as 3,000 tons, an increase of 60 per cent, certainly a large and healthy growth.
(8) "We (Mr. Norris representing the New York Times, and Mr. Seitz representing the New York World) are in the happy position of being unselfish in this instance."	The unselfish attitude claimed by Mr. Norris and Mr. Seitz is inconsistent, in view of the fact that within the last ninety days superior authority in both the New York Times and the New York World endeavored unsuccessfully to place a contract with the International Paper Company. They were offered as good terms and conditions as applied to the regular customers of the International Paper Company, but declined to accept such propositions, and have endeavored ever since to influence the policy of the company, and have gone to the extent of attacking their credit and method of doing business in or order to accomplish their ends. We believe their actuating motive is to secure paper from the International Paper Company at lower prices than their competitors.
(9) "It was two years ago that the effort was made to get them [competing companies] together into a successful combination which would shut out all competition and make a uniform price."	The effort that we believe they refer to was based upon a contemplated association of eastern mills that the International Paper Company does not now and never did have any interest in or control over. The International Paper Company to-day and at all times has been willing to offer its product at the market price to all and any purchasers of paper, irrespective of territory or former source of supply, providing always that freight rates made the delivery permissible and the purchaser was willing to pay the value that the International Paper Company placed upon its product to its own customers at such time as the International Paper Company had surplus product. Within the last two years we have sold the New York Times paper and the New York World paper and have never

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assessed any penalty in connection with the sale, and at the earnest solicitation of Mr. Adolph Ochs, supposed to be the controlling interest in the New York Times, the International Paper Company offered to take the contract for the New York Times, individually or in combination with the Philadelphia Ledger and the Chattanooga Times, on identically the same prices, terms, and conditions as was applied upon renewal of other contracts of the International Paper Company involving the same conditions as to delivery, tonnage, etc. This same offer was made to Mr. Merrill, of the New York World, to apply to the St. Louis Post-Despatch, owned and controlled by Mr. Pulitzer. Our unwillingness to deliver our product to these two publications upon a basis more favorable than we applied to our regular customers of long standing has developed the "unselfish" action of Mr. Norris and Mr. Seitz.

(10) "They [International Paper Company] have made an arrangement with every independent paper mill except one, by which the International Paper Company takes all the surplus product of these mills at a price."

Such is not the fact. We have at various periods purchased from three other manufacturers of paper before referred to a limited amount, approximating 10 per cent of our own production, these purchases having been made to meet the unforeseen growth and extraordinary demands of parties with whom we had contracts.

(11) (In substance.) "The International Paper Company have made no agreement with the Great Northern Paper Company because it has no surplus paper. Their surplus is very small, and they are not factors in the market."

Within six months the Great Northern Paper Company have taken contracts away from the International Paper Company, for example, the Columbus Citizen. The Great Northern Paper Company claims a product of 300 tons per day.

(12) "This situation prevails: The Parsons Company [W. H. Parsons & Co.], or the Niagara Company [Cliff Paper Company], or the Henry Company [J. E. Henry & Sons Co., of Lincoln, N. H.], or any of the mills are not allowed to sell customers whom they had previous to this arrangement; they are [not] allowed to sell to people who have been customers of the International Paper Company; they are allowed to sell to each other's customers to a limited extent, but if for any reason the demand falls off, and 10, 20, or 30 tons [per day] that might previously [have] been looking around for a price [market] is promptly turned into the warehouses of the International Paper Company."

The International Paper Company has no contract or arrangement with any company preventing its selling to any purchaser. The statement is false.

The International Paper Company does not accept the surplus product of any manufacturer, to be introduced into its warehouses, and has not accepted paper from any manufacturers excepting the small quantity heretofore referred to, which was purchased for the purpose of complying with its own needs and obligations. Assuming that the statement of Mr. Seitz was correct, the logical result would be the accumulation of stock in the warehouses of the International Paper Company, which accumulation must eventually find its way to the market, but as a matter of fact the reserve manufactured stock on hand held by the International Paper Company on the 1st day of April for each of the last five years was as follows:

April 1—	Tons.
1899	34,718
1900	15,584
1901	23,607
1902	18,038
1903	29,342
1904	23,156

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(13) "When they organized, five or six years ago, they took in all the mills and machinery in the country, the mills which had earned two or three fortunes and placed the valuation at $22,000 per ton, whereas the modern plants are estimated at $12,000 per ton."

They did not take in all the mills. (See list of outside mills already given, many of which were in operation in 1898.) Also there are a large number of mills in the West.

The price at which the properties of the International Paper Company were originally purchased included, in addition to the mill properties, wood lands and water powers. The statement that a modern mill can be equipped for $12,000 is absurd, in view of the fact that the Great Northern Paper Company, with a claimed production of 300 tons per day, acknowledges an indebtedness of $9,000,000, or $30,000 per ton. No modern paper-making plant can be properly equipped for a materially less figure, as was demonstrated by statements submitted to Mr. Ochs, of the New York Times, in fullest detail within the last few months.

(14) "They have not added one single machine to their equipment, except that within a few months they have put in one at Bellows Falls for making box board."

On the contrary the International Paper Company has materially increased its facilities for the production of both pulp and paper.

(15) "They have reduced the speed of their machines and their product from 1,550 down to 1,150 or 1,200 tons."

On the contrary the speed at which our machines were run during the year 1903 was greater than any previous year in the history of the company, and the output for the hours that the mills were restricted to by labor regulations is greater for a given period than ever before in the history of the company, and the actual product was materially increased.

(16) "I think the market price of paper is just about $5 a ton higher than it was a year ago, and it is $10 or $11 a ton higher than it was four years ago, when this combination went into effect."

The billing price of news paper product of the International Paper Company for the year 1903 as compared with 1902 shows an advance of practically 5 per cent; for the year 1902 as compared with the year 1901, a decline of slightly less than 1½ per cent; for the year 1901 as compared with 1900, an advance of slightly over 2 per cent. The prices prevailing so far in 1904 are practically the same as prevailed in 1903. The increase for one yearhas been $1.90, instead of $5, as stated, and for four years has been $2.16, instead of $10, as stated, and such increase has been less than the increase in the cost of manufacture, due to conditions beyond our control; our spruce wood, for instance, costing in 1903 25 per cent more than in 1899; our fuel, for instance, costing in 1903 17 per cent more than in 1901. Our labor cost has steadily and considerably advanced from year to year.

(17) "The paper used to sell on the market for $33 a ton. It was sold to the man who used 5, 10, or 15 tons a day for about $36 a ton. It is now selling (I bought excess paper last week—we overran our contract supply—from another newspaper, the Staats-Zeitung) for $2.35 as against our former price of $1.65."

The price of $33 a ton cited, represents probably the lowest price ever made, at a time when the market was in a state of demoralization and represented a positive loss to the party manufacturing paper and was in no sense representative of the average prices prevailing. Furthur, Mr. Seitz's reference to his purchase from the Staats-Zeitung refers to paper not made by the International Paper Company, and as it was not bought from a manu-

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facturer, the price paid is irrelevant and was admittedly for an emergency supply. You will notice Mr. Seitz avoids stating the price he is paying for paper supplied him under contract.

(18) "I think the high price of paper is produced by the price of lumber going up." [Mr. Gillett's question: Is not lumber going up as well as paper? Is it not the scarcity of timber that is producing this high price?]

Mr. Seitz. I do not think so.

There has been a natural and steady advance in the price of timber as per statement attached, marked "Exhibit A." (Statements from Chas. E. Oak and John P. McEwan.)

(19) "The timber situation was this: A great many people in Maine owned timber lands and had done nothing but pay taxes on them for a hundred years. A lot of people who were loaded up with timber lands unloaded them on the International Paper Company at a very high price and the International Paper Company is in duty bound, it must carry the timber upon its books at that price, and the money is compounding itself [in] about twelve years."

This statement is untrue.

The timber lands of the International Paper Company could be sold for much more than they were purchased for, plus interest and expense. In a measure it is immaterial whether the paper company carries the lands or lets somebody else carry them and then at a later period buys the spruce grown thereon at a price that will return to the purchaser the cost of carrying the land. Attention is also drawn to the fact that the figures submitted showing the increased value of spruce wood are based upon the open market, irrespective of any ownership of the International Paper Company.

(20) "Fifty per cent of the timber now consumed by the paper companies is brought from Canada."

According to the United States Census of 1900, less than 19 per cent of pulp wood used by the United States mills was imported from Canada. The estimated percentage is not materially higher to-day.

(21) (In substance.) "There would be no effect [in taking off the duty on pulp from Canada] because there are no paper mills in Canada."

Over 200 tons daily of news print paper is produced in Canada to-day, according to Lockwood's Paper Trade Directory (1904), by the following mills:

Laurentide Pulp and Paper Company.
Imperial Paper Mills.
Canada Paper Company.
E. B. Eddy Company.
Riordan Paper Company.

Does not this statement show how unreliable Mr. Seitz's statements are? We mention only news print mills and he broadly states no paper mills exist in Canada.

The hour of 12 o'clock having arrived, the committee took a recess until 2 p. m.

AFTER RECESS.

The Chairman. Mr. Lyman, you may proceed.

Mr. Lyman.

STATEMENTS.	REPLIES.

(22) "It [output] is not sufficient to meet the demands safely. Last fall the International Paper Company had 47,000 tons of excess paper which it had gathered by some way or another. All last summer they bought all the surplus product of other mills and kept piling it up in

The fact is, that the International Paper Company did shut down its paper machines for four days in November, 1903, as it had a perfect right to do, having on hand, as it believed, an ample supply of paper for all contingencies, and being short in its supply of pulp. The shut-

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order to keep up the price and then they organized a shutdown all over the United States."

down referred to did not apply to the facilities of the company for making ground wood pulp. They operated their pulp machines to their utmost capacity every day in the calendar year 1903, Sundays excepted. Had this adjustment not been made the raw material for the manufacture of paper would have been decreased to a considerable extent, as the power saved in running the other machines was devoted to the increased production of wood pulp. The result has been that the output of paper has been practically maintained during the combination of drought and the severe weather experienced during the winter of 1903–4. In other respects, also, the statement is substantially untrue.

(23) "The editor of a country paper has bought his paper for years for $2 per hundred pounds or $40 per ton. He is now paying $2.75."

This is an increase of 37½ per cent, but we have already shown that such increase does not apply to any billing of the International Paper Company which amounted to less than 6 per cent total advance for four years. Any such instance as quoted by Mr. Seitz must represent some isolated instance affected by special conditions and in no way representative of any average condition. In many cases jobbers' prices are used to make unfair comparisons.

Touching and appertaining to the state of prices, I have here a copy of the New York Times, of New York, and on the editorial page is an editorial headed "Declining prices," which reads as follows:

Bradstreet's tables of prices, compiled up to April 1, indicate that the wave of high prices is subsiding and that in many lines the expectation of maintaining an artificial average of values been found impossible of realization. As compared with the market quotations of a year ago, it is shown that there has been an increase in—

and it states the various articles and commodities which have advanced.

On the other hand, a decline as compared with a year ago is noted in beef, pork, sheep, horses, milk, lard, butter, cheese, rice, peas, lemons, hides, union and oak leather, Australian wool, pig iron, steel billets, tin plates, copper, lead, coke, nails, glass, quinine, paper, and other items.

That is Bradstreet's Index with which you are familiar, I presume.

STATEMENTS.

(24) "The great bulk of the circulation is 1 cent, sold to the trade for 50 cents a hundred. Advertising rates are governed by competition that you can not control or adjust. We have had long battles in New York to maintain our rights.

* * * *

"The paper trust comes along and says, 'Why do you not increase the advertising rates, and hand the profits over to us?' We do not care to do it."

REPLIES.

We submit editorial (Exhibit D) from the New York Herald of March 11, 1904, which it may be proper to say was not inspired by the International Paper Company, or in any way solicited or suggested directly or indirectly by the International Paper Company.

Printed editions are produced for the purpose of making statements as to circulation, which influence advertising, such editions not being sold to the general public as readers, but a large percentage of the overissues are mutilated and sent to low-grade mills to be made into binders' boards and compete with street sweepings as raw material. We unhesi-

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tatingly say that, considering capital invested, the manufacture of paper does not return to the interested parties anywhere near the percentage of profit which we are reliably informed is enjoyed by the proprietor of the New York World.

(25) "Mr. Lilley's resolution, which was introduced independent of us, I might say, provided a method of starting."

Mr. Seitz denies responsibility for the Lilley resolution, and we understand that the complainant to Mr. Lilley was the Waterbury Republican; that they complained of irregularity of delivery and increase in price. Further, we understand that said complainant buys its paper from a jobbing house which does not look to the International Paper Company for a supply of paper, nor have we recently supplied, directly or indirectly, any paper to the Waterbury Republican.

(26) "There is no actual method laid down for getting at these illegal combinations."

The International Paper Company is organized under the laws of the State of New York, which laws are very stringent in connection with just such conspiracies as are charged.

(27) "Some friends who run newspapers in Philadelphia, where for years they bought the paper at $1.45, the freight rates being a little more favorable, every one has been hoisted to $2.35 this year, and they simply could get no bids."

At no time past or present has news print paper been sold anywhere at the price of $1.45 as stated, unless the quotations applied to damaged or unmarketable product, and the International Paper Company has not charged any Philadelphia customer for the year 1904 as high a price as stated by Mr. Seitz.

In view of the fact that over 1,000 tons news print paper is manufactured in the East daily outside of the mills of the International Paper Company, it does not speak very well for the intelligence of Mr. Seitz's friends that they could not get any bids for their orders.

(28) "The tariff on wood pulp is high, but the tax on paper is very high."

The duty on ground wood pulp is one-twelfth of 1 cent per pound, equal to $1.66 per ton, which, with pulp figured at the average price of $16 per ton in Canada, is approximately 10 per cent. The duty on paper, worth 2 cents per pound, is three-tenths of a cent per pound or $6 per ton, which is equal, with paper at prevailing price of $2.25 per hundred pounds in Canada, to less than 14 per cent. Both of the above-mentioned rates are much below the average of the Dingley tariff. The raw material pulp wood is admitted free.

(29) "These people are selling in London one-half to three-fourths of a cent per pound below the New York price."

The International Paper Company are not selling in London news-print paper, based upon the average, at a lower price than is applied on domestic orders. The results of the export division of the sales department of the International Paper Company for the completed year 1902 shows that the total exportation of news-print paper netted the International Paper Company, per hundredweight, a greater average return than the paper delivered for domestic consumption—i. e. 3 per cent more. The returns for the year 1903 are not absolutely complete, but we can reasonably anticipate that the comparison will be equally as favorable.

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(30) "They all have a price of so much per ton for export."

The International Paper Company deny having at present or at any time in the past an understanding, directly or indirectly, with any other manufacturer as to the price to be applied on the exportation of news print paper.

(31) "One of our constituents, Albert Gilkey, to show you how frightened the paper merchants are in New York, came in and said that the paper salesmen would congregate in his office and could not make a sale; and I know that to be a fact that they can not make a sale without calling upon the paper company and asking them if it is all right."

We do not know who Albert Gilkey is, and deny that we have any control over any paper salesmen except our own. If they are offering the International Paper Company's product they must naturally find out whether they can secure it before committing themselves.

(32) "I wrote to an independent concern which handles $5,000,000 worth of paper a year, and the head salesman said, 'I would like to do this for you, but we can not; the International will not let us. If we start to sell you, they will cut off our stock.'"

We challenge this statement, and to be of any credence the name of the party referred to should be given. We deny that we have pursued any retaliatory policy toward any one.

(33) "They have $55,000,000 capital on $20,000,000 of property."

This statement is flagrantly false.

The property of the International Paper Company can not be duplicated for par value of all the securities issued against it.

Mr. Powers. Do you object to being interrupted right there?

Mr. Lyman. No, sir.

Mr. Powers. They say their property can not be duplicated for $55,000,000. Is that a fair answer to the question as to the value of the property? Do you claim, or do the officers of your organization claim, that the capitalization itself is a fair capitalization? That is, do you claim that the amount of property which they have amounts to the capitalization which is authorized?

Mr. Lyman. The capitalization is $22,000,000 of preferred stock, $17,000,000 of common stock, and bonds amounting to $13,000,000. We claim that you can not go out and buy water powers (I do not mean to say that you can not get water powers), but you can not buy as good water powers as we have, which we have developed, and buy woodlands, such as we have, and build the mills, the ground wood and sulphite and paper mills, and buy the stock that we have for the amount of the capitalization.

Mr. Powers. What dividends do they pay on the preferred stock?

Mr. Lyman. Six per cent.

Mr. Powers. And on the common stock?

Mr. Lyman. We do not pay anything. We paid two dividends on the common stock the first year.

Mr. Powers. What does your preferred stock sell for?

Mr. Lyman. Sixty-seven dollars.

Mr. Powers. And you pay nothing on the common stock—what does it sell for?

Mr. Lyman. About $12.

Mr. Powers. Would the price of the preferred and common stocks indicate that you have dollar for dollar back of that stock?

Mr. Lyman. Stocks sell largely on their earning capacity, and the prices would rather indicate that we are not earning money on the amount of capital invested.

Mr. Powers. But the preferred stock earning 6 per cent—why should it sell for $67, if there is adequate property back of it?

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Mr. LYMAN. Because there is nothing to indicate that it can be done perpetually.

Mr. POWERS. A railroad stock paying 6 per cent would sell at about $130, would it not?

Mr. LYMAN. Established railroads will sell on that basis, but experimental railroads I do not think will.

Mr. POWERS. You do not call your business experimental business?

Mr. LYMAN. No; but there are many more uncertainties in the management of an industrial corporation composed of many plants which is comparatively experimental.

Mr. POWERS. Your common stock, you say, sells at $12, and yet for every share of stock there is an equal amount of property back of that stock. In other words, if the par value of the stock is $100 there is $100 worth of property back of it. Why should it sell for $12 if that statement is true?

Mr. LYMAN. That is something that you will have to ask the investors.

Mr. POWERS. Your statement, if correct, is that the International Paper Company can to-day sell its property and receive in return for it money enough to cash all the stock at par and pay its creditors?

Mr. LYMAN. I do not think it can.

Mr. POWERS. The statement in the paper is that the property could not be duplicated for its present capitalization. If the statement that you have read is true, that the property could not be duplicated for its present capitalization, then it must follow that you can sell that property for the amount of the present capitalization?

Mr. LYMAN. That is the point I differ on with you. You can put money into an investment, but you can not always get it out dollar for dollar.

Mr. POWERS. But your statement is that that plant can not be duplicated for its present capitalization. If that be true, then you ought to be able to sell your plant for your present capitalization; but the figures you give would indicate, with the preferred stock at $67 and the common stock at $12, that the public regarded your property worth about 25 cents on the dollar.

Mr. LYMAN. It is almost inconceivable that anybody would come along and buy a property of that magnitude.

Mr. LILLEY. Was not one of the companies with an actual capitalization of $300,000, the Glens Falls Company, put into the new corporation at a capitalization of practically $8,000,000 or $7,985,635?

Mr. LYMAN. I can not say. I have not the figures.

Mr. LILLEY. I understand that is the fact.

Mr. LYMAN. That is a question which we will answer later, if it is desired. Capital stock and capital invested are two different things.

Mr. LILLEY. The Glen Falls Company originally had a capitalization of $300,000, and it was taken into the trust at $7,985,635, and the Rumford Falls Paper Company, with a capital of $500,000, was taken in at $2,280,000?

Mr. LYMAN. I can not give you the exact figures, but I do not think that it follows that capital stock and capital invested are the same thing. The construction account runs up from year to year as additions are made, and stock may or may not be issued against it.

Mr. LILLEY. Hardly from $300,000 to $8,000,000.

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In reference to the above, we submit the following supplementary statement:

The total capitalization of the Glens Falls Paper Mill Company issued and paid up was considerably more than $3,000,000, instead of $300,000, as stated. But the capitalization did not by any means cover the whole amount of money invested. The original Glens Falls Paper Company was organized and began business in the year 1864. It was owned and controlled by a few individuals who were directly interested in and connected with the management of the property, and who were more interested in building up a large and valuable manufacturing plant than they were in paying dividends. Consequently, they devoted the greater part of the earnings for many years to the enlargement and extension of the plant, the acquisition of wood lands, and other property necessary for their purposes. In this way, prior to the formation of the International Paper Company, the Glens Falls Company had acquired and built up a valuable and successful plant and property, a large part of which was provided for out of earnings for which no capitalization had ever been issued. This property included, among others, the following:

1. Paper mill at Glens Falls, making paper and ground wood pulp, with the use of its own very valuable developed water power on the Hudson River at that point.
2. Mills at Fort Edward making paper, ground wood and sulphite pulp, with the use of its own very valuable water power on the Hudson River at that point.
3. Undeveloped water power on the Hudson River and other property above Glens Falls.
4. A great undeveloped water power with 250 feet head on the Saranac River at Cadyville.
5. 62,990 acres of woodland in the Adirondacks tributary to said mills and also a large amount of woodland in Canada held under Canadian permits.
6. A fine water power of about 100 feet head, partly developed, on the Lamoille River in Vermont, since utilized by the erection by the International Paper Company of a pulp mill.
7. A valuable undeveloped water power with a head of over 65 feet on the Lamoille River, in Vermont.

The plants above mentioned, purchased from the Glens Falls Company, have an aggregate capacity of over 300 tons of paper per day.

For the plants and property so purchased the International Paper Company paid, in its securities, about $6,000,000, instead of $8,000,000, as stated, and we confidently believe that the properties enumerated are worth more than the amount paid for them.

State of New York,
City and County of New York, ss:

Frederick H. Parks, being duly sworn, deposes and says that he is the first vice-president of the International Paper Company; that he has read the foregoing statements, and that the allegations contained in the same are true to the best of his knowledge and belief.

Frederick H. Parks.

Sworn to before me this 21st day of April, 1904.
[seal.]

E. W. Kennedy,
Notary Public, Kings County.

Certificate filed in New York County.

Mr. Lyman.

STATEMENTS.	REPLIES.
(34) "They had a number of long-time contracts, around $35 or $36 per ton, and when these contracts expired the paper trust, through its power and through its relations, has been able to mark the price up $14 per ton."	In no instance in the past three years have expiring contracts with the International Paper Company been renewed at an advance of anything approximating as much as $14 per ton.
(35) "The only way to get after these fellows is to show that there is a wide-spread interest, and we have come forward, to our representatives—the House	We explicitly deny that there is wide-spread interest on the part of newspaper publishers, as no protest as to the methods of the International Paper Com-

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of Representatives—to see whether or not they will not take up this matter."

pany has come from any of its direct patrons, and we believe that Mr. Seitz and Mr. Norris stand practically alone in their attack upon the integrity of our company.

In this connection we might say that within the last few weeks, and since the editorial attacks upon our company made by Mr. Seitz, we have, when it was possible, assisted the New York World in getting out their editions, at a time when their ability to publish their paper was imperiled by reason of a shortage in their available stock of paper, supplied by other manufacturers, and this accommodation was accorded them without any penalty in the way of price or terms, or suggestion upon our part that the accommodation had any reference to or connection with the editorial policy of their publication. As a further refutation of the statement that the International Paper Company sold their news print paper subject to restrictions as to its use, we distinctly recall a conversation had with Mr. John Norris, at that time business manager of the New York World, to the effect that if he saw fit to use our clean white product for the purpose of smearing its surface with illegitimate abuse that was his privilege, and we had no objection, as his business was printing paper; ours, was making and selling it.

(36) "We have given every advantage away. The price of a newspaper used to be 5 cents, now it is only 1 cent."

The price of news print paper has declined steadily from about 12 cents per pound in 1875 (at which time newspapers were selling for 5 cents a copy) until it reached a point where there was no profit in the business, i. e., in the neighborhood of 2 cents.

News paper was selling at higher figures than to-day's market when 1-cent daily publications were voluntarily started by the publishers.

It is well known that the profits of the newspapers have enormously increased, largely at the expense of the paper manufacturers. It is asserted with confidence that neither one of the newspapers making this attack would be satisfied with anything like the percentage of profits made by the paper manufacturers.

(37) "The difference between the price to-day for paper and the price that we have been expected to pay will cost the New York World $338,000 a year."

We assume this to mean that Mr. Seitz is figuring the anticipated advance of the World's requirements of news print paper, were he forced to meet modern conditions of cost, and the financial loss involved appears to be the direct incentive for his attack upon the International Paper Company. Said increase is about 33⅓ per cent. In no instance during the past three years has the International Paper Company advanced on the renewal of any contract 33⅓ per cent or approximately any such advance. This is further substantiated by the following figures:

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The calendar year 1901, as compared with 1900, shows an advance in the billing price on news print contracts taken by the International Paper Company of a little over 2 per cent; 1902, as compared with 1901, shows a decline of very nearly 1½ per cent; 1903 as compared with 1902 shows an advance of approximately 5 per cent, and less than 6 per cent, and the billing for the year 1904; up to the present time shows but a very slight advance over the corresponding period in 1903.

SUPPLEMENTAL STATEMENT OF MR. DON C. SEITZ.

STATEMENT.	REPLY.
"We started in to negotiate with the International Paper Company for the renewal of our contract some years ago. We were dealing with the Glens Falls Company, which they had absorbed, and when the vice-president and manager of sales came, he read a list of conditions under which they would deal with the New York World; and one of the conditions was: 'It is understood as a condition of this contract that during the term of its existence the New York World shall not print anything inimical to the interests of this corporation;' and I believe they have that agreement with paper after paper. I can show you a copy of a paper published in New York State by a man who every day arrays the trusts with horror, but you will never see any criticism of the paper trust."	The International Paper Company has not now, and never did have, any such agreement, or any similar agreement, or any agreement to that effect with any paper whatsoever. The present general manager of the sales department of the International Paper Company has been in charge of the sales for the New York territory continuously since July, 1898, and no such suggestion as that indicated in the statement has ever been made by him in connection with the negotiation of any contract for the sale of this company's paper, or otherwise howsoever.
	He has never had, and has never asked for, any oral or written understanding to that or any similar effect, and no such contract appears upon the files of the company. For a short time after the organization of the company the sales department was in general charge of a gentleman who is now general manager of the sales department of another manufacturer from which the World now purchases its paper. Whether any such suggestion was ever made by him or not the present officers of the International Paper Company are unable to state; but they do state that if any such suggestion was ever made by him, it never was embodied in any contract with the paper company, and none of the present officers of the paper company ever had any knowledge thereof.

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JUDICIARY COMMITTEE,
Washington, D. C., April 5, 1904.

MEMORANDUM IN CONNECTION WITH STATEMENTS OF MR. JOHN NORRIS, BUSINESS MANAGER OF NEW YORK TIMES.

[No specific denial will be made of statements made by Mr. Norris already covered by our replies to similar statements made by Mr. Don G. Seitz.]

STATEMENTS.

(1) "It [the General Paper Company] has gone so far as to dictate to newspaper publishers what width of roll he may use, and, furthermore, to suggest the size of press he shall use in printing his newspaper."

REPLIES.

While this accusation is made directly against the General Paper Company, it may be proper to state that certain sized rolls may make the manufacture of paper a particular hardship, if not an impossibility, to some manufacturers. While the International Paper Company has directly accorded their customers the privilege of selecting the size roll best suited to their (customer's) use, it is not an illegitimate proposition to deny the right of a publisher to change the size of his roll as originally specified in contract agreement calling for delivery of paper for a period of time, as the placing of such an order on other machines might be a serious embarrassment to the seller of paper.

(2) "They [the International Paper Company] increased the price of timber lands in the State of Maine, for instance, from 65 cents per acre to $3 per acre, and in the same way the prices of lumbermen's supplies."

We deny that at the time the International Paper Company was formed timber lands in Maine, now valued at $3, could have been bought for 65 cents per acre. Two dollars has been the lowest price reached for good lands during the past ten years. We deny that the International Paper Company has been any considerable factor in bidding up the price of timber lands. The wild lands in Maine amount to upward of 9,000,000 acres, compared with which the holdings of the International Paper Company are small and were partly owned by the constituent mills of the International Paper Company before its formation.

Moreover the value of timber on the St. John River, which is used almost entirely for lumber, has increased quite as much as on the rivers where pulp mills are located. The increase in the value of spruce lands has been no exception, other kinds of lumber and timber lands having increased throughout the country generally by reason of the revival of business in recent years, and greater demands for lumber occasioned thereby. (See statements of Charles E. Oak and John McEwan, marked "Exhibit A.")

(3) Mr. Norris in substance states that the International Paper Company has worked against legislation which provides for the storage of water in the headwaters of the sources of supply which might help to equip rivals.

The attitude of the International Paper Company has always been aggressively in favor of water storage. We submit herewith an interview with the president of this company (Mr. Hugh J. Chisholm), advocating control of headwaters of the rivers of New York State by the State (Exhibit B). The International Paper Company has advocated a

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similar policy for the State of Maine, and has always lent its influence in favor of any legitimate proposition for the regulating of the flow of rivers and development of latent water powers.

(4) "Mills were shut down and starved the market to the extent of 12,000 tons."

It has already been explained that the production of paper can not exceed the production of pulp, and that there has been no voluntary curtailment whatever in connection with the production of pulp. The ground wood produced by the International Paper Company during the last six months of 1903 was considerably less than the corresponding period of 1902, owing to conditions entirely beyond its control. This shortage in pulp represents in tons over double the amount claimed by Mr. Norris as having been removed from the available supply of paper, and refers only to the curtailment of pulp product made by the International Paper Company alone, and, as previously stated, the facilities of the International Paper Company for the production of groundwood pulp were operated every day in the calendar year 1903, with the exception of Sundays, to the fullest possible extent.

Records can be submitted if desired to show the actual condition of drought that prevailed during the summer of 1903, and very extraordinary diminution of water power during the winter of 1903–4 on account of unusually severe weather conditions; but these facts, we assume, are generally known. (See Exhibit C, letter of A. T. Safford.) Nevertheless, while the pulp produced by the International Paper Company in 1902 exceeded that produced in 1903, the amount of paper produced in the two years previously mentioned was practically identical, the difference being a fraction of 1 per cent, in spite of the fact that in 1903 the paper mills did not run as many hours on account of restrictions imposed by labor organizations.

(5) "They sent letters to the newspaper publishers politely asking them to curtail their circulation and to reduce size of paper, etc., because of this critical condition."

This statement is untrue as applying to the International Paper Company, who at all times have been able to deliver to every customer in this country his requirements of print paper both as to quantity and size, and whenever required.

That is an important statement, because if there has been difficulty on the part of papers to get their supply of paper, it is not among our customers.

STATEMENTS.	REPLIES.
(6) "When the International Paper Company combined there were 24 mills, with a total of 98 paper machines, of which 50 were useless, and only 48 were fit for competition that then prevailed, and the cry of panic which we heard	When the International Paper Company was formed it included the best paper machines in the country, and, with but one insignificant exception, every newspaper mill taken into the company was fairly representative and had sur-

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came from men who had old machines, which were located on exhaused water courses and contiguous to denuded timber tracts."

vived a period of several years of the most intense competition. Moreover, these plants are to-day in physical condition that compare advantageously with any individual equipment, and as a whole can not be equaled by any group of mills of equal capacity in the world.

We deny that any of the mills were located on exhausted water courses. The mills of the International Paper Company, producing ground wood pulp and news-print paper, are located on the Penobscot River, Kennebec River, Androscoggin River, Pemigewasset River, Connecticut River, Lamoile River, the outlet of Lake George, Hudson River, Black River, Niagara River, and the Saranac River. We challenge anyone to demonstrate that the flow of these rivers has shown any appreciable diminution since the original establishment of the mills thereon. On the contrary the flow is under better control in most of these watersheds by reason of the establishment of water-storage facilities, and are regulated so as to give greater and more efficient power. (See statement of A. E. Safford, marked "Exhibit C.")

We herewith submit an article taken from the Paper Mill of April 9, 1904, which voices the sentiment of the Trade and tends to corroborate the replies made to the statements of Messrs. Seitz and Norris. (Exhibit E.)

The International Paper Company have no control over, interest in, or connection with the management of the Paper Mill, and the article quoted was not inspired or suggested by the International Paper Company, neither was the International Paper Company consulted prior to its publication or appealed to for the date used in the compiling of same.

EXHIBIT A.

BANGOR, ME., *April 11, 1904.*

Mr. CHESTER W. LYMAN,
30 Broad street, New York, N. Y.

DEAR SIR: Replying to yours under date of April 9, asking me to give statistics regarding comparative valuations on wild lands for the past ten years in the State of Maine, beg leave to say that owing to the fact that I am leaving town to-day on an important business engagement, have only very limited time in which to prepare such statistics, and I am not able to give as full and complete a statement as I would like, but in a general way can approximate quite close figures, for the reason that from 1892 to 1901 I had charge of the State land office of Maine, and was in very close contact with all the lumber-land interests on that account.

During that period and to the present time I have been also a manufacturer of lumber myself, and therefore am very conversant with the selling price of manufactured lumber.

First, will call your attention to the fact that in the State of Maine there are approximately, in round numbers, 9,000,000 acres of wild land, and that the valuation commission of 1890 and 1891 placed the valuation on these lands at $19,146,458, or something in excess of $2 per acre average. Owing to the general depression in business, which particularly affected the lumber market, thus reducing the price of stumpage, which is the gauge affecting the price of timber lands, the State assessors reduced the value of timber lands from that fixed by the valuation commission until the year 1901, since which time they have rapidly increased their values.

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The following table will show the valuations for each of the several periods mentioned:

1892	$17,795,680	1898	$16,238,828
1894	17,101,317	1900	19,127,407
1896	17,075,895	1902	25,528,930

These valuations by the State assessors are made only once in two years, and that for 1904 can not be completed until December of this year, but the probabilities are that it certainly will be no higher and possibly less, owing to forest fires, than that of 1902.

It is a notorious fact that the valuations on the wild lands of Maine as fixed by the State assessors have been less in every instance, with the exception of some isolated tracts where fires have done great damage or where the lumber is inaccessible, than the price for which the lands have actually been bought and sold. In other words, the market price for timber lands on the average has been considerably in excess of the values as fixed by the State assessors.

I can positively state that it is within my personal knowledge that in no section of the State within the last ten or twelve years have any well-timbered lands been sold at less than $2 per acre, and you will note by the table above that the State assessors have never fixed the valuation at less than $1.80 per acre on an average.

As above intimated, only such tracts as were comparatively worthless have sold at a less figure.

One-third of all of the wild lands of this State are located on the St. John River and its tributaries, and in that section the entire forest product is used for the manufacture of lumber in sawmills, as there are no pulp and paper mills located on the St. John River with the exception of two small ones, as I am told, in the city of St. John, which use only the waste from sawmills for the manufacture of pulp. On the St. John River drainage in this State, the price of stumpage per thousand within the last four years has been advanced from about a $2 average to $3.25 per thousand, and consequently the price of land itself from about $1.75 to $3 per acre, but this does not compare with the average advance in the price of manufactured lumber from sawmills, which has been from $3 to $5 per thousand feet average, the difference between that and the advance on stumpage being taken up with the advance in the price of labor in operating these lands.

In summarizing, can assure you that there was no material advance in the price of timber lands in this State until about four years ago, when the products of sawmills advanced so rapidly. Since that time the saw mill owners have been paying prices for logs considerably in excess of that being paid by the pulp mills, which has necessarily caused an advance in the price of pulp lumber, the difference in the price of saw logs as compared with pulp logs at the present time varying from $2 to $5 per thousand, according to the rivers on which they are located.

Present indications point to lower prices in the long lumber market the coming season, and if this condition arises and materially lower prices result, it can not be otherwise than that it will affect the price of lumber lands; but, on the other hand, as long as the price of long lumber is maintained at the present standard I see no possible chance for timber lands to be sold at much less on an average than at the present time.

Allow me to further state that within the last few years there has been a very rapid increase in the demand for poplar, white birch, and hard woods of various kinds throughout the southern border of the wild land section, and consequently many lands that a few years ago were regarded as lowest in value, as they contained no pine or spruce, are now among the highest priced lands in the State, which to a certain extent accounts for the increased valuation of wild lands as made by the State assessors.

For further information allow me to refer you to Hon. E. C. Burleigh and Hon. Llewellyn Powers, Congressmen from this State, who are heavy wild land owners and are thoroughly conversant with all the conditions and facts relative to the values of wild lands in this region, and who, I have no doubt, will fully corroborate all I have said above and can add materially to my statement.

Trusting this furnishes the information you desire, I am,

Yours, very truly,

CHAS. E. OAK.

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[John P. McEwan, wholesale lumber, pine, spruce, and hemlock, 256-257 Broadway, New York.]

APRIL 12, 1904.

The INTENRATIONAL PAPER COMPANY, *New York City.*

GENTLEMEN: Referring to our conversation of Saturday, I find after taking up the question of the change in value of the different kinds of woods mentioned below in the last ten years would be about as follows:

In the year 1893 hemlock lumber sold about on an average of $11. Closing prices of last fall were $17 basis, which would make an advance of $6 per 1,000 feet.

In white pine lumber there is no way that I know of of getting at the prices from the basis of a log cut, or what would be known to lumbermen as the cut of a mill. In pine lumber for the last ten years there has been an advance of 40 per cent, taking an average from what is known as Michigan and far western white pine.

Spruce lumber, as sold from the State of Virginia in the year 1893, was of a value of about $14 a thousand. In 1903 sold on an average, for log run, of $20, making an advance of $6 at intervening times.

Yellow-pine lumber, as shipped from Florida, and known as long-leaf yellow pine there, has been an average advance of about $8 or $9 per 1,000 feet since 1893, this lumber having sold in the year 1903 on an average of about $25.

The increase in value of North Carolina pine—that is, lumber that is known from the States of North and South Carolina—there has been an increase of about the same proportion as the other kinds of lumber, North Carolina pine having sold in 1893 on an average of about $12, market closing last year showing an advance of $6 or $7.

In regard to the oak and chestnut: This I am not familiar with, never having handled it, so can not give you an intelligent estimate of the change in value of these two items.

In regard to the change in value of the timber lands, the advances in all of the woods, such as spruce, hemlock, and yellow pine, as per acre for stumpage, has been from $4 to $6 over the prices they could be bought for in 1893.

Yours, truly,

JOHN P. MCEWAN.

EXHIBIT B.

[The Sun, Sunday, November 22, 1903.]

GREAT WATER POWER WASTE—A WONDERFUL NATURAL STOREHOUSE FOR THE FUTURE—GROSS INCOME TO THE STATE OF $11,000,000 A YEAR, EXCLUSIVE OF THE NIAGARA FALLS POWER, POSSIBLE, YET ALMOST UNUSED—HUGH J. CHISHOLM ASKS WHY.

"Even with Niagara Falls excluded," said Hugh J. Chisholm, president of the International Paper Company, yesterday, "the possible development of water power in the State of New York exceeds that of any other State in the Union."

As head of the company which is the largest user of water power in the State, Mr. Chisholm has given this subject a great deal of study. He, in common with other manufacturers, whose business plans for the future are conceived on broad lines, is convinced that the time is coming, and at no distant day, when the lawmaking powers of the State will be called upon to provide such regulations as will insure a just and equitable distribution of this vast source of wealth.

"The wealth-producing power in this great treasure, which is now largely going to waste, is all but incalculable," Mr. Chisholm said. "It is a treasure greater than the anthracite coal mines of Pennsylvania; greater than the gold mines of California. It is greater than these, for one reason, because it is inexhaustible. When you take a million tons of coal out of the earth in Pennsylvania, for instance, there is nothing but a hole left. Nature does not fill it up again with coal. The same principle applies to the gold mines. The wealth in both cases, vast as it is, has its distinct limits.

"The wealth-producing possibilities of water power, if nature's conditions are properly conserved, are limitless. They are possibilities which go on forever. The supply of power is constantly renewed. Nature dips a sponge into the ocean, so to speak, and squeezes it out over the land on which it falls, either in the form of rain or snow. It is a continuous, never-ending circle of water from the ocean to the atmosphere, to the earth, and through the streams to the ocean again.

"Now, this vast treasure of water force in the State of New York means the creation of cheap heat and mechanical energy. The matter of transmission of electric

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power over long distances is past the era of experiment. Electric power so transmitted—and no man can predict to what great results this will lead—is now an absolute commodity. It is sold in all parts of this country for the creation of light and of force wherewith to drive machinery and propel electric cars and trains.

"In the process of distribution of electricity generated by water power there lies the largest possible commercial value for the least possible expenditure of energy or consumption of the original investment for the creation and conveyance of that power.

"So, with New York possessing the vast water-power resources which it has, there lies stored away back in the State—and at the present time largely dormant—a treasure of priceless value. Now, although our company—the International Paper Company—is the largest user of water power in the State, and although it might seem, therefore, that it would be to our advantage to gather in and possess in our own right as much of this water power as possible, yet that would be a narrow policy to pursue.

"If our business structure were created to last only for a lifetime such a course might be advisable, speaking entirely from the cold-blooded, selfish standpoint. But inasmuch as such a business as ours goes widely beyond the immediate present in its aspirations, it must be laid along lines that in their breadth contemplate other generations. For this reason, and purely from the selfish standpoint, if you please, it would be unwise on our part to undertake to grasp that which we could not retain under future conditions which are inevitable. This vast natural wealth, having its source in the elements of which New York is possessed, must in the end come in some way under such State control as will insure at least an approximately equitable distribution of it, and at the same time give to the State that revenue from it to which the State is entitled. No matter how firm a hold we might for the present seem to secure on this source of wealth, sooner or later means would be found to loosen that hold, to disintegrate the foundations on which we stood, however firm they might seem to be. We would be glad, therefore, to see the State as quickly as may be exercise that administration of this water-power treasure which in the end it must exercise.

"Now, I said that, even with Niagara Falls excluded, the possible development of water power in the State of New York exceeds that of any other State in the Union. This seems a surprising statement, yet I think that a few facts and figures, which, after some little study of the subject, I am able to give you, will satisfy any one who cares to investigate the subject that the statement is true.

"If we take into account the great number of lakes and catch basins at high altitudes (varying from 100 to 2,000 feet above the level of the sea), and further realize that the whole question of water power is merely one of elevation and precipitation, the great possibilities in the development of this mine of wealth, with common, ordinary intelligence applied to bring it about, are apparent to anybody who considers the question.

"The State weather bureau has subdivided the State into three natural plateaus—western, eastern and northern. The western plateau includes that portion of the State west of the deep valley of Seneca Lake, the eastern plateau includes that portion east of the valley of Seneca Lake and south of the Mohawk Valley, and the northern plateau includes that portion north of the Mohawk Valley. The western plateau has an average elevation of 1,200 feet above the level of the sea, the eastern an elevation of 1,300 feet, and the northern an elevation of 1,500 feet. Many places on the northern plateau are higher than 1,500 feet, several being at an elevation of 1,800 feet, and in some cases 2,000 feet. The extreme mountain peaks are over 5,000 feet above the sea level.

"The greater the precipitation and altitude the greater the power. The process of precipitation is unending. Water, in the form of rain or snow, falls upon high altitudes and flows back to the sea, creating in its descent power in proportion to the altitude and volume of water flowing. This process is a continuous one, which nature is constantly performing in the regulation of moisture by raising the water of the ocean to the clouds and precipitating it in rain and snow upon the plateaus and into the lakes and catch basins. These processes will go on forever.

"The average annual precipitation for the twelve years ending with 1902 was as follows: For the western plateau, 37 inches; for the eastern, 41 inches, and for the northern, 44 inches.

"The foregoing gives generally a brief view of the amount of water available. Further, the water power of any given stream depends, and will be proportional, not only upon its average elevation, but upon the size of its catchment area, a large catchment area yielding more water than a small one; and on the other hand a high catchment area will yield more power than a low one of the same size.

"The plateaus, as divided by the State weather bureau, are approximately equal

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in size; for present purposes they may be considered about 8,000 to 10,000 square miles each. There are several other divisions which are not here taken into account.

"In calculating the development of water power, the evaporation in different sections of the State must be taken into consideration. According to the report of George W. Rafter on the relation of rainfall to run-off, it is estimated that while the average annual precipitation of the western plateau is 37 inches, nevertheless the annual run-off of the streams of this plateau does not average more than 13 or 14 inches; the balance is consumed by evaporation.

"The annual precipitation on the eastern plateau is 41 inches; the annual run-off is about 16 or 17 inches; the balance here is again consumed by evaporation. On the northern plateau the average annual precipitation is 44 inches; the run-off, 23 inches; the evaporation does not exceed 21 inches. It may again be repeated that these figures are averages; the maximums and minimums are quite different.

"The question of the aggregate amount of water power, leaving the streams in their natural unregulated condition, that can be developed at the low run of a river is a difficult one to give absolute information upon, but according to the best authorities there could be developed upon the western, eastern, and northern plateaus approximately 300,000 horsepower per day of twenty-four hours and at the low-water run of the streams. In this computation Niagara Falls is not taken into account.

"The foregoing is the maximum possible so long as the streams of the State remain in their natural unregulated condition, but with an intelligent creation of a system of storage reservoirs it is possible, according to the reports of Mr. Rafter, to create over 1,160,000 twenty-four hour horsepower, and this, too, during the extreme low-water flow of the rivers.

"The streams of the northern plateau, with proper reservoirs, would develop the following twenty-four-hour horsepower:

Stream.	Assumed elevation of source.	Elevation of mouth.	Total fall.	Estimated number of horsepower which can be developed.
	Feet.	*Feet.*	*Feet.*	
Salmon River west	953	247	706	12,000
Black	772	247	525	150,000
Oswegatchie	1,000	247	753	20,000
Grass	1,500	154	1,346	25,000
Raquette	1,788	154	1,634	70,000
St. Regis	1,600	154	1,446	30,000
Salmon River north	1,500	154	1,346	12,000
Chateaugay	800	154	646	2,000
Big Chazy	700	98	602	3,000
Saranac	1,606	98	1,508	80,000
Au Sable	1,993	98	1,885	35,000
Outlet of Lake George	323	98	225	7,000
Main Hudson	1,600	....	1,600	150,000
Schroon	851	600	251	13,000
Sacundaga	1,706	550	1,156	62,000
Main Mohawk	1,050	6	1,044	40,000
Schoharie Creek	1,700	280	1,420	14,000
East Canada Creek	1,900	330	1,570	10,000
West Canada Creek	2,367	380	1,987	30,000
				765,000
On small streams not specifically enumerated	....	....	....	35,000
Total power	....	....	....	800,000

"As a matter of fact, excluding Niagara Falls, there is now developed in the State of New York only about 220,000 water horsepower, whereas the State of Massachusetts, with only about one-sixth of the area, has 187,000 water horsepower.

"In making a comparison between Massachusetts and New York as to the policies which the two States have pursued in the development of water power for manufacturing purposes, we find the following results, as per United States census of 1900:

	New York.	Massachusetts.
Area (square miles)	48,000	8,000
Capital employed in manufacturing	$1,651,000,000	$823,000,000
Value of manufactured product	$2,175,000,000	$1,035,000,000

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"If we compare Massachusetts with New York by unit areas, taking the square mile as the unit, we find that the area of New York is about six times as great as that of Massachusetts, but Massachusetts has actually developed 187,000 water horsepower, while New York, with an area six times as great as the area of Massachusetts, has only developed, excluding Niagara Falls, 220,000 water horsepower. But, provided we had a comprehensive system of reservoirs in New York State, it is possible to develop over five times as much in this State as Massachusetts has developed. This computation also excludes the possibilities of Niagara Falls.

"As to why this is so, Census Bulletin No. 158 furnishes a decisive answer in the following language:

"'The principal advantage which the State of Massachusetts possesses is its water power. The power of the Connecticut River at Holyoke and at Turners Falls, in the town of Montague, utilized by means of immense dams of the most permanent construction, and by a system of canals, affords in each place a succession of mill sites along the entire water frontage. The Deerfield, Millers, Chicopee, and Westfield rivers, tributaries of the Connecticut, are all noteworthy power-producing streams. At Lowell and Lawrence, upon the Merrimac, the possession of similar advantages led to the selection of these places, for the installation of the factory system in the manufacture of textiles, while upon the Blackstone River and many lesser streams throughout the State the existence of sites naturally adapted to the erection of mills was influential in the expansion of the woolen and cotton industries in the early part of the century, thus laying the foundation of numerous thriving industrial communities.'

"Within the borders of the State of New York we have water power several times greater than that of Massachusetts, which, because we have pursued an irrational policy, has never been developed. In Massachusetts every stream is reservoired to its full capacity. There are even two Massachusetts reservoirs on the headwaters of the Hoosic River, of which we obtain the benefit without money and without price.

"The annual money value of the water power which it is possible to develop in the State of New York, omitting Niagara Falls, putting it at the low rate of $10 per horsepower, would indicate a gross income to the State and its citizens of over $11,000,000 per year.

"In making another comparison of the value of the water powers, the following estimate as to the amount of horsepower required in the State of New York to supply the power used by the different manufacturers in producing their annual product, the annual value of which is $2,175,000,000, we find, as per the United States Census of 1900, there was used:

"Horsepower created by steam	677,000
"Horsepower created by water	220,000
"Total horsepower	897,000

"Assuming that the steam power created as above is used on the basis of eleven hours per day, and it takes 4 pounds of coal per hour per horsepower, and the mills are run three hundred and ten days in the year, the different steam plants would annually consume 4,123,000 tons of coal, which at an estimated cost of $3.50 per ton delivered in the boiler house would mean an annual expenditure of $14,430,500. This does not include the expense of the labor required in feeding the boilers, the attendance at the steam engines, nor the maintenance of the steam plants.

"The amount of water power that is capable of being developed within the State is almost twice the present amount of horsepower created by steam, and therefore it can be seen that in substituting the water and electrical for the steam power, the saving of coal consumed would be from $25,000,000 to $30,000,000 per year.

"What we need in New York State is a comprehensive commercial policy which shall take into account the rational development of manufacturing by utilizing water power, which is the one great natural resource of the State. As may be inferred from the preceding, a neglect of power possibilities has left this State in a relatively unimportant position as to manufacturing, especially when we compare it with Massachusetts. We have here a State with one-sixth the area, while the aggregate manufacturing is one-half as great as in New York, and where the average wealth per unit of area is two or three times as great. This astonishing difference is ascribed by the Census Department to a rational development of manufacturing by water power.

"Can we afford to let retrograde conditions like this continue?

"Before closing, one word more. As stated above, I have omitted Niagara Falls from my calculation as to the value of water powers within the State of New York, but a just tribute is due from all citizens of the State to the men who are engaged in the development of this marvelous hydraulic and electrical power, for it is a truth-

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ful companion to our country when it is stated that it is the greatest and largest single hydraulic and electric development to be found in the world, and the creation of which has called forth master minds in finance, in hydraulics, and in electrical developments. From the conception and during all the time of its creation it has constantly been guided by the highest type of business judgment, the like of which is seldom found in such an undertaking. I have no doubt that the State and nation will justly appreciate what these men have done and are doing for the future welfare of this State, investing and risking, as they have, millions and millions of dollars in this great enterprise."

EXHIBIT C.

LOWELL, MASS., *April 11, 1904.*

CHESTER W. LYMAN,
Assistant to President International Paper Company,
30 Broad street, New York City, N. Y.

DEAR SIR: I beg to submit the following:

DROUGHT IN FALL AND WINTER OF 1903–4.

There is not the slightest question that the conditions of drought and cold were abnormal during the summer, fall, and winter of 1903–4, and that the rivers have been extremely low during the fall and winter.

On page 10 of the Annual Summary, 1903, Climate and Crops New England Section, is the following: "The winter of 1903–4 has closed in with a marked scarcity of water in springs and rivers, the condition being especially serious in Maine. Many of the large wood-pulp plants situated in that State, that are dependent upon water for their power, have been compelled to curtail their running hours and in some instances to shut down altogether for a time."

From the same Bulletin, January, 1904, page 3: "The mean temperature for the whole district (New England), 15°, is the lowest for January since the New England climate and crop service was established in 1884." From the same Bulletin, February, 1904, page 3: "February was a fitting climax to a winter that so far as mean temperatures are concerned is unprecedented in the New England climate and crop service." "Generally speaking, the precipitation was deficient, and in northern portions of Vermont and New Hampshire the small amounts, combined with the extremely cold weather, has resulted in a water famine."

I give the following table of deficiencies in precipitation from September, 1903, to February, 1904, at sixteen stations in New England, all situated within or near the watersheds of rivers on which the International Paper Company have plants:

Deficiency of precipitation.

[Inches.]

	1903.				1904.		Total.
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	
Farmington, Me. (Kennebec River)	−2.31	−0.26	−3.12	+1.04	−0.41	−3.42	−8.48
Gardiner, Me. (Kennebec River)	−2.12	+0.31	−2.53	+0.48	+0.37	−1.92	−5.41
Lewiston, Me. (Androscoggin River)	−2.09	−0.26	−2.85	−0.02	+0.20	−1.99	−7.01
Orono, Me. (Penobscot River)	−2.34	−0.46	−1.38	−0.45	....	−1.36	−5.99
Rumford Falls, Me. (Androscoggin River)	−1.94	−0.15	−3.75	+1.01	−0.64	−3.30	−8.77
Berlin Mills, N. H. (Androscoggin River)	−2.34	−0.63	−2.69	−1.20	−0.40	−1.96	−9.22
Concord, N. H. (Merrimack River)	−2.03	−0.52	−2.29	+0.27	+0.46	−1.30	−5.41
Grafton, N. H. (Pemigewassett River)	−2.04	+0.23	−2.42	+0.52	−0.12	−2.45	−6.28
Hanover, N. H. (Connecticut River)	−1.67	−0.38	−2.04	+0.58	+0.20	−1.34	−4.65
Wells, Vt. (Connecticut River)	−1.54	+1.27	−1.89	+0.31	−0.31	−0.88	−3.04
Keene, N. H. (Connecticut River)	−2.13	−1.19	−2.12	−0.02	+0.20	−1.87	−7.13
Plymouth, N. H. (Pemigewassett River)	−2.81	+0.55	−2.42	−0.64	−1.57	−2.31	−9.20
Burlington, Vt. (Lake Champlain)	−2.83	+1.97	−1.98	−0.43	−0.63	−0.67	−4.57
Chelsea, Vt. (Connecticut River)	−1.57	−0.26	−3.16	+0.03	−0.77	−2.97	−8.70
Cornwall, Vt. (Lake Champlain)	−2.02	+0.79	−1.16	−1.41	−0.83	−0.33	−4.34
Enosberg Falls, Vt. (Lake Champlain)	−2.54	+0.62	−2.12	−0.70	+0.21	−1.21	−5.70
Average							−6.49

These figures bring out clearly the general impression that during this period the rivers were extremely low, and the newspapers in the latter part of November and the early part of December are full of notices to that effect.

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The worst conditions have been in middle and western Maine and northern New Hampshire and Vermont, where the Connecticut, Merrimack, Androscoggin, Kennebec, and Penobscot have their origin. I have not the same information at hand for New York State, but should not expect that the conditions were any less severe.

EXHAUSTED WATER COURSES.

I have no concern about the permanency of the flow of our rivers. There are certain conditions now which may affect to a slight degree the average flow of the rivers, but not materially, and to very much offset this there is a growing intelligence in using water and an increase of knowledge of the value of storage.

In the case of the Penobscot, Kennebec, and Androscoggin, money has been expended for clearing out obstructions, so that a part of the water used for driving the logs in the early summer is saved for use by the mills in the fall and winter. Taking the rivers as a whole, the amounts of storage have been increased and efforts are being made all the time to still further increase the storage; as examples of this, I would mention the new dam at the foot of Chesuncook Lake, on the west branch of the Penobscot River, the splendid storage facilities on the Kennebec and Androscoggin, the Indian Lake Reservoir on the Hudson, besides a good many others which have been in use for a good many years.

Yours, truly,

ARTHUR T. SAFFORD,
Consulting Engineer.

EXHIBIT D.

[New York Herald, Friday, March 11, 1904.]

'TWIXT TWEEDLEDUM AND TWEEDLEDEE.

Certain newspapers in the United States are working themselves into a white-hot rage of indignation over the question of the papermaking association.

At a recent meeting 230 of them roundly denounced this trade organization, voted a self-sacrificing resolution to contribute $100,000 toward fighting it, and decided to "request the President of the United States and the Attorney-General to institute suit against any of the three combinations to test the legality of their existence."

In other words, the President is invited to tell the papermakers' combination to get off the earth. The cool impudence of the invitation is only surpassed by its absurdity and its fatuity. Here is a combination of newspaper publishers protesting against a combination of papermakers. If the former have a right to combine, do not the latter enjoy the same right? If the President, backed by the Attorney-General, decides that the papermakers' combination has no "legal existence," will he not be compelled logically to decide that the newspaper publishers' combination is in the same boat?

Anything more childish than this resolution of 230 tailors of Tooley street could not be imagined. It carries illiberality and impotence written across its face. It is illiberal, because its framers deny to a body of manufacturers rights they claim for themselves—namely, the right to combine and conduct legitimate business on a profit-making basis—and impotent, because the President can only reply to his appealer, "What have I got to do with the affair?" and consign the appeal to the waste-paper basket, which is as handy for the President as it is for editors.

The resolution, in fact, would not be worth a moment's consideration did it not cast a light upon the curious mentality of those who conceived this weird document. It should be noted that a majority of the protesting newspapers are 1-cent publications. This fact is significant. Experience has evidently proved that 1-cent newspapers do not pay unless the white paper upon which they are printed can be obtained for nothing, and as paper makers are not likely to give paper to the 1-cent philanthropists the President is requested to sign the paper makers' death warrant.

Like the fox in the fable, the publishers of 1-cent papers have cut off not their tails but their profits, and now they want the President and the Attorney-General to cut off the profits of the paper makers. The paper-makers' combination, says the World, is "a trust that taxes knowledge." Hoity-toity! It is a question whether some of the 1-cent knowledge ought not to be taxed. There would certainly be no injury done to the public by such "taxation."

The public is willing to pay for a good paper containing accurate news. The Herald may be allowed to testify on this point, as its daily circulation, always high, has increased 40,000 during the last few weeks. And yet it has not had flaming

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"scare heads" in letters 3 inches in depth announcing imaginary Japanese victories. Perhaps that is the reason of its increasing popularity. The public prefers to be reliably informed for 3 cents rather than to be stuffed with "fakes" for 1 cent. These are facts that the 230 protesters should think over.

If the price of their raw material—that is, white paper—prevents them from making a profit on the finished product when sold at 1 cent, let them raise the price of their goods. The public will take them if they are worth it. And for Heaven's sake let them stop talking about trusts! All businesses form trusts nowadays. The papermakers, finding raw material becoming continually more expensive, form a combination to protect themselves from ruin; the newspaper publishers form another with the same purpose; the trades unions form another—a labor trust—with the same object.

Some day even the beggars in the United States, in order "to keep up prices," may form a trust similar to the peddlers' union which is so busy at present in Korea, and no President or Attorney-General can prevent such tangible and perfectly legitimate business realizations of the old motto: "Union is strength."

EXHIBIT E.

[The Paper Mill, April 9, 1904.]

WHAT DERB SAYS ABOUT NORRIS'S LAST ATTACK ON THE INDUSTRY.—MISSTATEMENTS EXPOSED.—THERE IS MORE NEWS PAPER MADE BY INDEPENDENT MILLS THAN BY THE INTERNATIONAL PAPER COMPANY.

"The facts presented to the House Judiciary Committee by the representatives of the Newspaper Publishers' Association regarding the oppression of the Paper Trust will acquaint the public with a state of things that might fairly be called incredible.

"The Paper Trust has deliberately schemed to produce and maintain a condition of chronic famine. It shut down its mills when it had no more than a reasonable supply of paper on hand, and made the resulting shortage an excuse for raising the price one-third. Then it suggested that its customers accommodate themselves to the conditions it had created by cutting down their circulation and reducing the size of their sheets. It names the mill from which each newspaper must get its supply, and it undertakes to regulate the size of presses to fit the rolls of paper it chooses to furnish.

"Not content with attemping to dictate the business management of its customers, it tries to direct their editorial policy. It attempts to force upon them contracts binding them to say nothing against the corporation, and there are plain indications that in some cases it has not only succeeded in muzzling opposition, but has actually been allowed the use of editorial columns for its active advocacy.

"Congress and the Administration have each an obligation in this matter—Congress to remove the duties on wood pulp and paper, that buttress the trust's monopoly, and the Administration to proceed against this illegal conspiracy by the same methods that have destroyed the Northern Securities Company."—*New York World editorial, April 7.*

How any man who professes to be intelligent, and who professes to give the general public daily in the columns of his paper both interesting and instructive matter, to say nothing of impartial opinions regarding the condition of the country, the condition of the industries of the country, and a summary of the news he prints in his news columns, can sit down and write such a ridiculous editorial as the one printed above regarding the paper and pulp manufacturing industry and the conditions that exist to-day and keep his job is a very great mystery to me. Such a gross misrepresentation of facts ought not to be tolerated for a moment by the publisher of the paper or the editorial manager, for the reason that it not only willfully attempts to demoralize one of America's greatest industries, but it deceives every one of their readers who is not in a position to know the conditions that exist in an industry. In fact, the majority of the readers of the World know nothing of the manufacturing of paper and pulp, and that is the very reason why the business manager and Mr. Pulitzer, the publisher, take undue advantage to roast the manufacturers of paper and their industry, knowing full well that the majority of their readers are not familiar with the industry, and, therefore, will believe everything that is printed in this sheet pertaining to it.

For the past ten years Joseph Pulitzer, the publisher of the New York World, and John Norris, at one time the business manager, have hounded the paper manufactur-

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ing industry of this country in favor of the foreigners; and you all remember five or six years ago that Norris went to Washington before the Ways and Means Committee in the House of Congress to testify, or at least to attempt to show that committee of learned gentlemen, that it was an outrageous act to continue to impose a duty on paper and pulp coming from the Dominion of Canada. You all remember the testimony that he gave, and you all certainly do remember that he returned to New York wiser, but more demoralized than when he went there.

He attempted before that committee to give information regarding the methods of the paper manufacturers in the United States. He attempted to give them a lot of information regarding the paper and pulp manufacturing industry of this country, which was simply rediculous, and after it was all over, the members of the Ways and Means Committee had discovered that all the information that Mr. Norris had given was simply hearsay; that he had not attempted to gather statistics of the conditions that confronted the paper manufacturers at that time and the chances of the future. He had not secured one iota of information regarding the consumption of newspaper or the production of the same, or the conditions that existed in the forests, what the cost of manufacturing was, what the cost of getting the wood out of the forest was, but he simply testified from imagination, and his chief aim was to "flag" the paper manufacturers of the United States from advancing the price of white news to him, by setting up an argument to the Ways and Means Committee to have the duty taken off of paper and pulp coming in from Canada.

The principal argument that he made was that if the Government would eliminate this duty, the publisher of the New York World and other publishers would build their own mills. That was the biggest joke in his testimony. Everybody who reads the World has seen during the past six years flaring advertisements in its columns: "If you have a water power and timber lands, write to us at once and give us figures, we are going to build a paper mill." And the joke is that Mr. Pulitzer and Mr. Norris have not been able to find the site or to find the timber land. In other words, as the old saying goes, "there is none so blind as those who do not wish to see." Anyhow, to show how much influence the publisher of the New York World brought to bear upon the Ways and Means Committee in Washington regarding the tariff on paper and pulp, it may be said that the very same tariff exists to-day and will exist, until the representatives of this imperial industry go to Washington and ask to have that duty removed.

The manufacturers of paper and pulp are gentlemen who are trying to do a legitimate business, and are endeavoring to make a legitimate profit. And this is a type of gentlemen who are building up the country, who are paying big revenue into the Government, who are employing thousands and thousands of people, who are paying hundreds of thousands of dollars of taxes, who are purchasing millions of dollars worth a year of appliances and supplies to enable them to operate their mills. Now, compare Joseph Pulitzer, with his penny sheet, with the paper manufacturer of America. Why, the comparison is simply ridiculous, and those learned gentlemen of the Ways and Means Committee in Washington have realized it, and the paper and pulp manufacturers still exist, and so does the duty on paper and pulp coming from Canada.

Mr. Norris states that "the paper trust has deliberately schemed to produce and maintain a condition of chronic famine. It shut down its mills when it had no more than a reasonable supply of paper on hand, and made the resulting shortage an excuse for raising the price one-third."

What a ridiculous, what an idiotic statement for any man to make, be he a business manager of a newspaper, or a driver of an ash cart. In the very columns of the sheet of which John Norris was the business manager until he got through two or three years ago, there is printed the weather reports every day in the week. In those reports the story has been told of the terrible condition of the water supply, with no prospect of rain. Now, then, when the water is low, how does that affect the paper mill? Precisely as much as if all the type and type metal the New York World has in its establishment to-day were melted. In such case, what use would the presses be in that establishment? Now, the International Paper Company did shut down nearly all their mills making news paper, and this man Norris states: "They shut them down to create a famine in paper," which is an absolute falsehood, and no one knows it better than John Norris, and I will prove the statement.

Didn't nearly all the news paper manufacturers throughout the United States—some of them not on speaking terms with the officers of the International Paper Company—shut down their plants, when they would have been only too glad to have kept them in operation to secure a few of the customers of the International Paper Company? When the International Paper Company shut those mills down their logs were held up on the banks of the rivers and streams on account of the low water, and their pulp grinders in their mills were all shut down because they had no

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water power to operate them with. Now, then, will Mr. Norris answer me this question: When the water that turns the wheel refuses to flow, what happens to the wheel? When the wheel does not turn, what happens to the pulp grinder? When the stone in the pulp grinder is not revolving, what happens to the paper machine? When the paper machine doesn't run, what happens to the newspaper that John Norris has the proud distinction of being the business manager of? Now, Norris, before you again make such a statement as you have made there, about the methods of the paper manufacturers, go first and get facts and figures regarding the flow of water in the rivers where these paper mills are situated.

Never in the history of this country, or at least as far back as I can go, twenty-seven years, has there been such a drought that affected the paper and pulp manufacturer as the drought of this last six months. Never was there a time in this last twenty-seven years when the news paper manufacturer was compelled to pay $25 to $30 a ton for ground wood pulp—if he could get it, and really he could not get it—and yet you go before the committee in Washington and make the statement that the paper manufacturers are robbing you; that they have advanced the price 30 per cent, when they should have advanced, and should advance it to-day, 40 per cent; and even then their profit would not pay for the wear and tear on their machinery to make the cheap paper for your daily sheet.

You say they shut these mills down to create a famine in paper, and that they compelled you to print less pages and less sample copies. Did you make a reduction in your subscription price and in the price to the advertisers? Have you not raised the price for advertising on account of the small advance in price the paper manufacturers made upon you for your news paper? And yet when the paper manufacturer is compelled by virtue of the drought to pay nearly twice as much for his raw material to make news paper, so as to enable you to do business with the general public, you begrudge them the slight advance in price they ask you. You should be ashamed of yourself, and you should be ashamed to look any one of those gentlemen on that committee in the face again after the statements that you have made regarding the paper-manufacturing industry.

When you made the statement that the International Paper Company shut down every mill, you made another statement that was false. They did not shut down the mill; they simply shut down the paper machines and the beating engines so as to enable them to use every drop of the water that was flowing on the wheel, to enable them to operate their pulp grinders. And each and every one of those mills ran a limited number of their grinders, or all that the water power would allow them to run, and piled the pulp, and on the beginning of the next week they shut off the pulp grinder and started up the paper machine. Deny this if you can. These are facts, and can be proved.

You claim, Mr. Norris, that the paper and pulp manufacturers of this country are in a conspiracy to force the publishers of daily newspapers to pay more money for their white paper, and you ask Congress to take the duty off paper and pulp for this reason. You also call upon Attorney-General Knox to dissolve the International Paper Company, for the reason that it is a trust. Now, Mr. Norris, if you had done what I say in this article you should have done before you went before that committee, you would have gone out among the mills throughout the United States, or sent some one, and secured data and statistics regarding the paper-manufacturing industry. Then you could have gone before the committee, and you could have talked to them intelligently; but if you had done this you never would have shown your face in Washington, nor would the publisher of the New York World mislead the general public in his editorial column regarding either a conspiracy or a trust, for neither exists.

Now, let me prove to you that you have made yourself ridiculous in the eyes of the public. The International Paper Company, up to date, when its water power is flowing normally, can manufacture 1,200 tons of news paper a day. The news paper manufacturers outside of the International Paper Company, who have nothing whatever to do with that company, can and do manufacture daily over 1,100 tons of news paper. Now, what constitutes a trust? What is the meaning of a trust? Isn't it supposed to monopolize an industry? Isn't it supposed to monopolize the production of the industry in which it exists? Now, how in the name of heaven can the International Paper Company hold the whip hand over the publishers, as you claim, when there is practically as much news paper made outside of it as it makes itself. Now, I am giving you figures taken from my directory, that never did and does it include the daily production of 100 tons on the Pacific coast, all of which goes to prove my statement that your statement regarding a trust is a ridiculous one. It goes to prove that there are 1,700 tons of news paper made by the independent mills in the United States, as against the 1,200 made by the International Paper Company.

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Now, then, Mr. Norris, you make the statement that the newspaper manufacturers have advanced the price of newspaper 30 per cent. We will, for the sake of argument, admit that they have. But weren't they justified and aren't they justified in raising it again to-day and in raising it 10 per cent? It is costing paper manufacturers to-day to produce paper 35 to 38 per cent more than it did six years ago. These are statements backed up by a statistical report, and not based on theory or hearsay, which seems to be your principal stock in trade when you attack the paper and pulp manufacturing industry in the columns of the New York World, of which you are the business manager.

I am attacking you personally, Mr. Norris, for the reason that you have been for the past eight years attacking the paper manufacturers in the columns of the New York World and before the Congressional committees in Washington, and in the past eight years you should have a great deal of knowledge regarding the paper and pulp manufacturing industry, but judging from the articles that I have read, and from the statements that you have made, your statements regarding the paper and pulp industry are more ridiculous than they were eight years ago. So, if your statements regarding other industries in the United States are on a parallel with those you are making in connection with the paper manufacturing industry, then I say there is very little knowledge of this country and its industrial propositions to be gained from the columns of the daily paper of which you are the business manager by the people at large. Why do you waste good white news paper, when there is such a demand for it to-day by intelligent and well meaning publishers who are commending and helping to build up the industries of America instead of condemning them and demoralizing them, as you are doing?

Yours truly,

DERB.

Mr. POWERS. Does that complete the paper?

Mr. LYMAN. I have here a brief prepared by our law department, which is principally an arrangement of the data contained in his statement in somewhat logical sequence, and there are one or two points which have a legal bearing.

Mr. POWERS. That statement can be printed in connection with the other.

The statement submitted by Mr. Lyman follows:

[In the matter of the application to the Judiciary Committee of the House of Representatives for the passage of a resolution calling upon the Secretary of Commerce and Labor to investigate an alleged combination of paper manufacturers.]

The accompanying verified statements of the officers of the International Paper Company contain a complete and categorical refutation of the material statements of fact made by Messrs. Seitz and Norris, before the Judiciary Committee, upon which the application is based.

It is to be noted that the statements made by them were not under oath and consisted largely of generalities, while the opposing statements are verified by responsible officers of the company and contain statements of specific facts, which demonstrate the inaccuracy and recklessness of the general statements made by the gentlemen who appeared before the committee.

In view of the complete refutation of the claims made by those gentlemen, it seems hardly necessary to add anything to the verified statements making such refutation. But it may do no harm to call the attention of the committee, briefly, to some reasons why the application of these gentlemen should not be granted.

First. The application is made evidently for the purpose of redressing fancied private grievances, and not for any purpose in which the public, or even the newspapers generally, are interested.

So far as appears, no newspaper has taken interest enough in the matter to appear before the committee, except two newspapers, the World and the Times, both of which are, and have been for many years, getting their paper, not from the International Paper Company or any of the alleged combination of paper manufacturers, but from a competitor, the Great Northern Paper Company, under contract with it.

It is quite evident that these newspapers are now starting this agitation because, during the recent drought, the Great Northern Paper Company (of which they make no complaint) was unable to fulfill its contract with these newspapers to their satisfaction, and upon their application to the International Paper Company to supply their deficiencies, the International Paper Company naturally and properly refused

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to use its surplus paper to help out the customers of another manufacturer, since it could not do so without jeopardizing the rights of its own customers. In view of the serious shortage, not of paper manufactured but of pulp manufactured, caused by the drought, the International Paper Company properly felt itself bound to husband its resources so as to be sure under all circumstances and contingencies of being able to protect its own customers. And it is especially worthy of note, as indicating the animus of this application, that it is made only by the customers of this competitive concern, and, so far as we know, is not joined in by any customers of the International Paper Company, who have been fully protected and supplied by it.

It further appears from the replies that the representatives of these papers have attempted to obtain contracts from the International at a less price than their competitors, and because the International refused to sell them paper for less than it charges its own customers they have made this attack upon it.

It is well settled that the antitrust laws, so called, will not be enforced merely to redress a private grievance or to enable some one party to gain a business advantage, but are to be enforced only where the public interest demands it.

The language used by Judge Parker, of the New York court of appeals, in the case of Park & Sons Co. *v.* National Druggists' Association (175 N. Y., 22), is particularly pertinent to this situation:

"While the courts will not hesitate to enforce the law intended for the protection of the public, because the party invoking such protection is unworthy, or seeks the adjudication for selfish reasons only, they will be careful not to allow the process of the courts to be made use of under a false cry that the interests of the public are menaced when its real purpose is to strengthen the strategic position of one competitor in business as against another."

Second. The complete disproval of the statements upon which the application is based not only takes away the foundation for the application, but they also show that it has been made upon such reckless misstatements as to deprive it of all merit.

The affidavits presented take up and refute in detail all of the important statements of fact made by the gentlemen heard in support of the application. It is not necessary to refer to them all here, but we desire to call attention to a few of the most glaring misstatements.

It was stated that the International Paper Company was grossly overcapitalized, and has $55,000,000 capital on $20,000,000 property. The fact is that the property of the International Paper Company could not be duplicated for the par value of all the securities issued by it.

It was stated that when the company was organized they took in all the mills and machinery in the country at a valuation of $22,000 per ton, and that modern plants are estimated at $12,000 per ton. The fact is that the International Paper Company when it was formed purchased only a portion of the eastern mills, and that the estimate of $12,000 a ton is too absurd to require contradiction.

The Great Northern Company, from which the claimants purchase their paper and of which they do not complain, is capitalized upon the basis of $30,000 per ton, and no modern paper-making plant can be properly equipped for a materially less figure.

It was stated that the International Paper Company, in pursuance of the policy of raising prices, had not increased their productive capacity, and had reduced the speed of their machines and their product from 1,550 tons down to 1,150 or 1,200 tons. The fact is that the International Paper Company has substantially increased its facilities and capacity and product both of pulp and paper, and that its machines were run during the year 1903 at a speed greater than in any previous year of its history.

It was stated that the International Paper Company had entered into an agreement or combination with the General Paper Company for division of territory and the increase of prices. The fact is that no agreement, combination, or arrangement of any sort or description whatsoever now does exist, or ever has existed, between the International Paper Company and the General Paper Company.

It was stated that the General Paper Company and the International Paper Company represent practically all the paper product of the country, and actually control the price and production of other mills. The fact is that the International Paper Company does not control the product of any mills except its own, and that the combined production of the International Paper Company, and the accredited production of the General Paper Company in the aggregate, represent less than 60 per cent of the country's daily product.

It was stated that by the alleged combination the production of paper in the country had been curtailed, and the implication was that it was less at the present time than in preceding years. The fact is that the production of news print paper had increased from 1,850 tons in 1900 to 3,000 tons in 1903, an increase of 60 per cent.

It was stated that the price of paper has been increased in the last two years about 33⅓ per cent. The fact is that the price has increased about 3½ per cent.

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Various similar statements were made as to the increase of sales of paper, some as high as 37½ per cent, all of which were denied by this company so far as its sales were concerned or so far as it had any knowledge, and the fact was shown that its price had increased as above stated in the last two years only 3½ per cent.

It was stated that the cost of paper to manufacturers had not substantially increased. The fact is that the cost in the last two years has substantially increased, the cost of wood having increased 25 per cent, of fuel 17 per cent, together with a considerable increase in the cost of labor and other materials and supplies.

It was stated that we were selling paper in London one-half to three-quarters of a cent per pound below the New York price. The fact is that the International Paper Company is not selling in London news print paper at any less than the domestic price, and that the profits upon its sales abroad are considerably more than upon the domestic sales.

It was stated that the profits of the paper manufacturers were excessive. The fact is that the market prices of the stock of the paper company (being about 11 for the common and 67 for the preferred) seem to conclusively establish the contrary; and it is asserted with confidence that neither one of the complaining newspapers would be satisfied to accept anything like the percentage of profit which is received by any paper manufacturer.

The replies conclusively establish the facts that there is no monopoly of the manufacture of paper; that the International Paper Company is not engaged in any combination to establish any such monopoly, or to limit the production or to raise the price; that such trifling increase in its price as has been made in the last year has been much less than the increase in the cost of manufacture; that its profits are not unreasonable and that it is conducting its business in a businesslike way with a view to the complete fulfillment of its contracts and the due protection of its customers; and it is believed that no one of its customers will be heard to complain of anything but fair and liberal and businesslike treatment from it.

Third. If there were any foundation for the charges made by the applicants that a paper trust or combination exists in violation of the Sherman Act, as is claimed, the proper place to apply for redress is to the Department of the Attorney-General.

But the parties making this application doubtless know that before the Attorney-General would take any action it would be necessary to furnish him with definite and precise statements of fact, which could be proved, to justify such action as he might take, and that it would not be sufficient to produce to him brokers' circulars and other loose and general statements which would not stand for a moment in any court of law or in any judicial proceeding. It is no doubt for this reason that the applicants are attempting to secure action by a legislative committee in the hope that their general statements in support of their charges would not be likely to receive the same careful scrutiny that they would before a judicial officer; but, fortunately, the application here has been referred to the Judiciary Committee, consisting of trained lawyers, who must see at a glance how little real foundation there is for any of the charges and statements which have been made.

Fourth. It would be most unfortunate to establish a precedent of passing such a resolution as this upon such loose and general unverified statements as those upon which it is based, which would open the door to all sorts of blackmailing claims against existing corporations.

If the International Paper Company has done or is doing anything in violation of established law, it is amenable to the action of the courts, and the Department of Justice has been established for the purpose and charged with the duty of prosecuting any such violations.

But the International Paper Company and other similar corporations have rights as well as the customers whom they serve, and one of their rights is that, when charges of this character are made against them, they shall be entitled to a fair opportunity to defend such charges; they shall be entitled to insist that such charges shall be based upon specific statements of fact sufficient to satisfy the law officer of the Government that a prima facie case can be made, and that, in determining whether he shall put such a corporation to the trouble and expense of defending against such charges, he shall be left free to exercise his judgment upon the facts as presented to him, and shall not be prejudiced or influenced by any prejudgment of the case by such a resolution as this.

Fifth. The act establishing the Department of Commerce and Labor was not passed for any such purpose as this.

While there has as yet been no judicial determination in respect to the scope of the act or the powers of the Secretary or Commissioner, and while, as we are advised, the Department has not yet determined what it can or ought to do under this act, it is quite clear from a reading of the act that it was intended to authorize the Commissioner of Corporations to make such investigation of corporations as might be neces-

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sary or required by the President of the United States to enable him to make recommendations to Congress for legislation for the regulation of interstate commerce. It is quite clear that it was never the intention of this act to vest in this Department any power to prosecute, or any power even to investigate for the purpose of enabling the Attorney-General to prosecute, for violations of existing law.

It is quite clear that no reason has been shown or attempted to be shown upon this application for any general investigation by the Department of Commerce for the purpose of enabling the President to suggest any legislation in respect to the paper-manufacturing industry. In fact, if the charges made by the applicants were made in good faith or could be sustained upon the facts, sufficient legislation already exists in the form of the Sherman Act. But the proper way to take advantage of that legislation is by an application to the Attorney-General and not to the House of Representatives or the Department of Commerce.

STETSON, JENNINGS & RUSSELL,
General Counsel for International Paper Company.

Mr. POWERS. I wish to ask you two or three questions along another line. When was the International Paper Company organized?

Mr. LYMAN. In January, 1898.

Mr. POWERS. And that company was organized under the laws of New York?

Mr. LYMAN. Yes, sir.

Mr. POWERS. And you carry on business throughout the greater portion of the country?

Mr. LYMAN. Yes, sir.

Mr. POWERS. How many mills were in the original consolidation?

Mr. LYMAN. Do you mean paper mills or pulp mills or separate plants?

Mr. POWERS. Take the separate corporations in the first place that went into the International Paper Company.

Mr. LYMAN. I can only answer that question offhand; I should say, perhaps, 30.

Mr. POWERS. And these component parts of the International Paper Company or separate corporations were in competition with each other before the consolidation?

Mr. LYMAN. They were.

Mr. POWERS. And you referred in your paper to that competition being very acute; was that so?

Mr. LYMAN. Yes, sir.

Mr. POWERS. Then the purpose of the consolidation was to bring all those mills together into one large combination and if possible avoid what had been an acute competition?

Mr. LYMAN. There were, if you grant that, of course, other motives. The thought was that by combination paper could be produced cheaper.

Mr. POWERS. That is, by putting in improved machinery and improved methods you could produce paper cheaper through consolidation than by separate plants?

Mr. LYMAN. By concentration also.

Mr. POWERS. And furthermore, I assume that the parties brought about the combination to do away with the competition that was likely to become ruinous?

Mr. LYMAN. Yes, sir—one reason.

Mr. POWERS. Did not the organization of the International Paper Company also contemplate a control of the production?

Mr. LYMAN. Beyond that of the company itself?

Mr. POWERS. Yes, sir.

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Mr. LYMAN. I have never heard that suggestion up to this minute.

Mr. POWERS. Was not there an attempt made to bring into the consolidation all of the paper-producing plants?

Mr. LYMAN. No, there was not. Plants have been offered to us and declined.

Mr. POWERS. You put in the Haverhill plant, did you not?

Mr. LYMAN. Yes, sir.

Mr. POWERS. What became of that; are you operating it?

Mr. LYMAN. No, sir. That is the one exception that I alluded to.

Mr. POWERS. How many of those plants that were turned into the original organization have since that time been shut down?

Mr. LYMAN. Do you mean voluntarily shut down?

Mr. POWERS. Yes, sir. You shut down the Haverhill plant?

Mr. LYMAN. Yes, sir; that is the only one. My impression is that the machines were taken out and put in Rumford Falls mill or some other mill. They were not broken up or destroyed. They are making paper to-day. That is my impression.

Mr. POWERS. You took in what was called the Jay mill?

Mr. LYMAN. Yes, sir.

Mr. POWERS. Is that mill being operated?

Mr. LYMAN. That mill was shut down prior to and at the time the company was formed, and the paper machines have been taken out of that mill and established elsewhere. The ground-wood mill is being run.

Mr. POWERS. You took in the Herkimer mill?

Mr. LYMAN. Yes, sir.

Mr. POWERS. Are you operating that mill?

Mr. LYMAN. Yes, sir; making more paper than when it was taken in.

Mr. POWERS. You took in the Lawrence mill, too?

Mr. LYMAN. Yes, sir.

Mr. POWERS. Is that the mill formerly operated by the Russells?

Mr. LYMAN. Yes, sir—one of them.

Mr. POWERS. And that is a part of the plant at the present time?

Mr. LYMAN. That has been combined with another mill making coating paper, and the International Paper Company owns the controlling interest in that combination. That change of management was made because that mill running on specialties it was thought it could be better managed in conjunction with another similar mill.

Mr. POWERS. How did the International Paper Company pay for these properties—did they pay cash or securities?

Mr. LYMAN. Securities. The public was not asked to contribute one cent, except that some of the bonds were sold to provide working capital, and those bonds were taken by, I think, entirely, insiders—that is, those who owned the stock.

Mr. POWERS. How did you pay for the mills, by bonds of the new organization?

Mr. LYMAN. We paid for them in stock and bonds.

Mr. POWERS. Preferred or common stock?

Mr. LYMAN. Both preferred and common and bonds, and a portion of the bonds were sold for cash to the insiders.

Mr. POWERS. You have out, according to a statement which some one has furnished me, at the present time, first-mortgage bonds of nearly $10,000,000, have you not?

Mr. LYMAN. Including all, yes, sir; that is the issue of the first-mortgage bonds.

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Mr. POWERS. Then you have what you call division bonds, $3,000,000; what is the nature of those bonds?

Mr. LYMAN. Those are outstanding bonds on properties acquired which could not be retired.

Mr. POWERS. And then you have issued preferred stock to the amount of something like $22,000,000, and common stock about $17,000,000. Do you know at what price these different parties who sold their properties to the International Paper Company have accepted the preferred stock of the company in payment for the property?

Mr. LYMAN. No; I do not.

Mr. POWERS. At what price they accepted the common stock?

Mr. LYMAN. No; I do not.

Mr. POWERS. Was not the common stock a bonus, as is usually the case in all combinations?

Mr. LYMAN. I think that is a matter of opinion. If our belief is correct that we had the property back of it, it was not a bonus. If we were wrong, it was in the nature of a bonus.

Mr. POWERS. As a rule, the combinations of the country have been formed by means of the bonds and giving the preferred and common stock both as bonus?

Mr. LYMAN. That is where they were sold to outsiders. This was a consolidation whereby the people already interested took securities in exchange for their properties, and really whether they took $1,000,000 or $5,000,000 it did not make any difference to them, because it represented a proportionate interest in the consolidated plants.

Mr. POWERS. How are products of your mills disposed of, through jobbers?

Mr. LYMAN. Mainly directly with customers; more and more, directly to the customers.

Mr. POWERS. In the case of jobbers, are they permitted to handle your products and the products of competing companies also at the same time?

Mr. LYMAN. They are.

Mr. POWERS. Is that true, without any exception?

Mr. LYMAN. Absolutely, so far as my knowledge is concerned.

Mr. POWERS. What arrangements, if any, have you with your competitors in the fixing of the price of paper; that is, the product of the mills?

Mr. LYMAN. We have no arrangement, as sworn to by our officers.

Mr. POWERS. Do you mean to say that there is no understanding as to what the price of paper shall be in a certain market?

Mr. LYMAN. There is not. The price is not fixed. Competition develops different prices.

Mr. POWERS. Who is your largest competitor?

Mr. LYMAN. The General Paper Company.

Mr. POWERS. And that is a combination also, the same as your concern?

Mr. LYMAN. I am not prepared to speak in regard to the General Paper Company. Whatever I would know would be a matter of common knowledge.

Mr. POWERS. Do the stockholders or officers of your company own stock in the General Paper Company?

Mr. LYMAN. No, sir.

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Mr. POWERS. Do the officers of the General Papei Company own stock in your company?

Mr. LYMAN. They do not.

Mr. POWERS. There is no affiliation between the two so far as you know?

Mr. LYMAN. No, sir. I am very glad you asked those questions.

Mr. POWERS. So far as you know, there is no pooling arrangement or holding company as to price at which the paper shall be sold by the two large concerns?

Mr. LYMAN. There is absolutely none.

Mr. POWERS. In making the price to newspapers you make contracts by the year?

Mr. LYMAN. We ordinarily do. We used to make them for a long term, but we found that the price of everything was going up, and we found we were getting the small end and that we were paying more for things and could not get any more for the paper.

Mr. POWERS. Take a paper like the New York World. They get a bid from you and also a bid from the General Paper Company at the same time?

Mr. LYMAN. Yes, sir.

Mr. POWERS. And they make a contract with the one that gives them the lowest price?

Mr. LYMAN. Yes, sir.

Mr. POWERS. Then, you know that these papers have the advantage of an open market with open competition?

Mr. LYMAN. Yes, sir.

Mr. POWERS. You are in competition with the other mills in all parts of the country and in open competition without any arrangement or any understanding as to price?

Mr. LYMAN. Yes, sir.

Mr. LILLEY. Is it not true that if a newspaper sends for quotations from a dozen or fifteen of your constituent companies that they will get the same price from them all or all but one?

Mr. LYMAN. We have no constituent companies; we have one organization.

Mr. LILLEY. The thirty companies that make up your consolidation; they all have the same price?

Mr. LYMAN. They have not any selling machinery at all.

Mr. LILLEY. Do you ship any paper into the western country where the General Paper Company is doing business?

Mr. LYMAN. We do. I have covered that.

Mr. LILLEY. I can see, Mr. Chairman, how it might be that those two paper companies would not compete, one controlling the eastern territory and the other the western territory, on a commodity as low as paper, because the freight would more than offset any possible competition that would arise. The country seems to be divided into two parts, with this company in the East and the other in the West, and the freight rate alone would prevent any competition.

Mr. LYMAN. That has considerable effect, but, as I say, we do clash.

Mr. POWERS. You do have some competition in the East with the smaller competitors?

Mr. LYMAN. Yes, sir.

Mr. POWERS. You have some competitors in the East?

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Mr. LYMAN. Yes, sir.

Mr. POWERS. Do you recall three or four of the more important ones?

Mr. LYMAN. The Gould Paper Company of New York, the Berlin Mills Paper Company.

Mr. POWERS. That is Berlin Mills, N. H.?

Mr. LYMAN. Yes, sir; the Cliff Paper Company; the Genesee Paper Company; the West End Paper Company. There are quite a number of them. The Great Northern Paper Company.

Mr. POWERS. Have you stated what the production of these small independent companies is as compared with your company?

Mr. LYMAN. Yes, sir; we show that there is something over 1,000 tons a day produced in the East by outside mills.

Mr. POWERS. Against how many tons that you produce?

Mr. LYMAN. We produce about 1,200 tons of news paper; something like 1,200 tons of the paper which we are talking about.

Mr. LILLEY. Is it not true that the International Paper Company has taken the product, more or less, produced by the independent concerns?

Mr. LYMAN. Only in the cases instanced.

Mr. LILLEY. The Parsons Paper Company?

Mr. LYMAN. We buy from them.

Mr. LILLEY. While I am on my feet I would like to refer to the statement that Mr. Seitz and Mr. Norris did not represent anybody but themselves. I have a letter here from the American Newspaper Publishers' Association, which says that Mr. Don Seitz, of the New York World, is chairman of the American Newspaper Publishers' Association committee on the paper question. There is another one here from one of the papers in the West saying that the American Newspaper Association passed resolutions naming a special committee to take up the matter, and in charge of that committee was Mr. Don Seitz and Mr. John Norris. In fact, do they not represent the American Newspaper Publishers' Association?

Mr. LYMAN. We do not say that they do not, but we say that they are the particular ones that are making this movement.

Mr. LILLEY. I understand at the annual convention of all the great newspapers of the country, at which this subject came up, that a committee was appointed, and these men were the committee, and therefore they do, as they claimed they did, represent three-fourths of the output of news print in the United States.

Mr. LYMAN. Those claims have been answered in detail.

Mr. LILLEY. I have a number of letters here that they were appointed at that time.

Mr. LYMAN. I have not disputed that, only I say we do not find any resolution; and they were not appointed a committee at the meeting of the Newspaper Publishers' Association at which the general discussion of the paper situation took place, and the resolution was passed calling on the President and Department of Commerce to investigate.

Mr. LILLEY. You said that this combination was formed for the purpose of making and producing paper cheaper. As a matter of fact, the reverse has been true?

Mr. LYMAN. Nobody can say to what extent natural tendencies to increase the cost through conditions beyond our control—that is, labor and fuel, and other commodities I have cited—to what extent those

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have been offset or overcome by superior management and by economies, etc.

Mr. LILLEY. It is claimed, of course, that you bid up the price of lands and pulp, etc., by getting control of the acreage.

Mr. LYMAN. We think it is highly improbable that the bidding by the International Paper Company could have raised the price of yellow pine in the South, white pine in the North, oak, birch, and timber and timber lands all over the United States.

Mr. LILLEY. It is a matter of fact that the newspapers have not profited anything in the way of reduction by this formation, which your president said would be the case if the combination was formed, and why did you take in a lot of worthless properties not on an economical basis, like the Haverhill and the Jay mills, and others not modern and up to date?

Mr. LYMAN. We took the best mills, and any inferior mills cut an insignificant figure compared with the great mills that did come together.

Mr. POWERS. Do you sell paper to the United States Government?

Mr. LYMAN. No, sir.

Mr. POWERS. They get their paper, as I understand, from a large number of manufacturers who bid for it, and it is awarded to the lowest bidder. Do you mean to say that none of your paper is used by the Government?

Mr. LYMAN. So far as I know, it is not.

Mr. POWERS. Where does the Government get its paper?

Mr. LYMAN. They do not use news paper. The Congressional Record is printed on a low grade of book paper, two grades, A and B, which run about three cents a pound.

Mr. POWERS. Do you not manufacture any kind of paper such as they use?

Mr. LYMAN. No, sir; we do not manufacture it—except wrapping paper.

Mr. LITTLE. Do you import a good deal of pulp?

Mr. LYMAN. We have never had any necessity to import it up to this last year. Then we did import it from Canada and from Norway. We got it, paying any price we could, and went on manufacturing paper to fulfill our obligations, regardless of cost; we used a higher percentage of sulphite—anything to keep things going.

Mr. POWERS. There is an association known as the American Paper and Pulp Association?

Mr. LYMAN. Yes, sir.

Mr. POWERS. And that is made up of all the paper manufacturers and jobbers in paper?

Mr. LYMAN. Yes, sir.

Mr. POWERS. And they hold a convention every year, do they?

Mr. LYMAN. Yes, sir.

Mr. POWERS. What is the purpose of that association?

Mr. LYMAN. It is like an association of bankers or a scientific association; it is largely social and to discuss matters of general interest to the industry.

Mr. POWERS. Do they discuss at those conventions the question of price to be charged to the consumer?

Mr. LYMAN. No; they do not.

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Mr. POWERS. Do they attempt to reach any agreement as to the prices to be charged?

Mr. LYMAN. Not since 1880. They did take up the subjects of prices and production before those matters were tabooed.

Mr. POWERS. It is purely a trade association?

Mr. LYMAN. Yes, sir.

Mr. POWERS. Largely for social purposes and also for the discussion of the different methods of cheapening production and the like?

Mr. LYMAN. Yes, sir. For instance, one year the principal topic under discussion was water storage, and we had papers by the most eminent hydraulic engineers of this country and also England, and we assembled a lot of papers which were quite a contribution to the literature on the subject. Another year we devoted ourselves particularly to the question of forestry and had the Government forester lecture to us and two or three other authorities on the subject. That will give you an idea of the character of the business of that association.

Mr. DE ARMOND. Do you consider the tariff on wood pulp and paper necessary to carry on your business with a fair degree of profit?

Mr. LYMAN. It is very low; that I think everyone must admit, and if paper or pulp can be produced outside of this country materially cheaper than it can here, it can overcome that tariff. What we want to do is to keep the paper industry here and get our raw material from wherever we can get it.

Mr. DE ARMOND. How long will it be before the supply of suitable timber for pulp is used up?

Mr. LYMAN. There is no likelihood that it will ever be used up. The fact that paper is mostly made out of spruce and poplar is due to the fact that those are at present the most suitable, as they are the ones that processes have been perfected to treat; but we can not tell when paper will be made out of the cottonwood that grows along the Ohio and the Mississippi rivers or the pine of the South.

Mr. LITTLE. Is there any paper that is being made out of cotton stalks?

Mr. LYMAN. They are using the stalk of sugar cane in New Orleans and Texas, and some attempts have been made to make it out of cottonseed hulls. Those do not cut much of a figure, because the quantity is small, but paper has been made in an experimental way in laboratories out of an infinite variety of woods.

Mr. DE ARMOND. What would be the effect of taking off the tariff on pulp and paper; would it have the effect to reduce the price to the consumer in this country?

Mr. LYMAN. I think it would be a very hazardous thing to do. Our aim, as I say, has been to get what raw material we needed in Canada to husband our resources, and the Canadians are trying to prevent our getting it. They are trying to hamper us by putting on an export duty.

Mr. DE ARMOND. That is a kind of retaliatory duty from their point of view?

Mr. LYMAN. No; they took the initiative, just as though we had started to put on an export duty on cotton—which we would not be allowed under the Constitution to do—for the sake of aiding the growth of cotton mills here, but we did not; we built up the cotton mills gradually by protecting the product of the cotton mills.

Mr. DE ARMOND. Do you think that the effect of taking off the

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tariff would be or would not be to reduce the price of paper to the consumer of paper in this country?

Mr. LYMAN. The Canadians try to keep us from getting wood, and if we let their pulp in then they could take some measures which would prevent us getting pulp and make it necessary for us to make paper over there.

Mr. DE ARMOND. Do you know whether they have shown any general unwillingness to sell paper here; are they in favor of keeping this tariff duty on pulp; the Canadians?

Mr. LYMAN. They would like to see the duty taken off. They would like to build up the industry in their country?

Mr. DE ARMOND. Is that because they would like to sell pulp over here?

Mr. LYMAN. They would rather sell paper.

Mr. DE ARMOND. Perhaps; but they would like to sell pulp. Would not the effect of taking off the duty be to reduce the price of paper here unless the prices were held up by combinations popularly called trusts, which would control the price independent of the supply and the demand?

Mr. LYMAN. That I can not say. I think they would attempt to enhance the cost of the pulp to us.

Mr. DE ARMOND. Suppose that the duty were taken off both pulp and paper, what would be the effect of that?

Mr. LYMAN. Going from bad to worse, if my reasoning is correct; you would be entirely dependent upon another country, and how are you going to reach any combinations of paper mills in Canada?

Mr. DE ARMOND. Can not you make paper here as cheaply as in Canada?

Mr. LYMAN. You can not, after they have gone out of the business, start them up again.

Mr. DE ARMOND. Could you not if they were in the business?

Mr. LYMAN. We do.

Mr. DE ARMOND. Suppose the tariff was taken away, could you not compete with them in making paper?

Mr. LYMAN. Yes, sir.

Mr. DE ARMOND. Canadian paper goes to England in competition with our paper; you sell paper in England in competition with Canadian paper?

Mr. LYMAN. Yes, sir.

Mr. DE ARMOND. And make about the same quality of paper?

Mr. LYMAN. Yes, sir.

Mr. DE ARMOND. And have to sell as cheaply as the Canadians sell their paper?

Mr. LYMAN. Yes, sir.

Mr. DE ARMOND. Is not the Canadian paper sold cheaper than the paper supplied to the newspaper publishers here?

Mr. LYMAN. Paper is no cheaper in Canada than here.

Mr. DE ARMOND. How is it in Great Britain; is paper cheaper, or not so cheap?

Mr. LYMAN. It is somewhat higher. The cost of inland freight is very great; the ocean freights are cheaper.

Mr. DE ARMOND. I was talking about the seaports, Liverpool, or some other seaport, London. Say Liverpool. Is paper cheaper in Liverpool than you sell it here, or is it not?

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Mr. LYMAN. I do not believe it is.

Mr. DE ARMOND. Has your company been selling any paper abroad at higher prices than the current price here?

Mr. LYMAN. Yes, sir.

Mr. DE ARMOND. Have you been selling any at lower prices than the current price here?

Mr. LYMAN. Not that I know of; possibly in isolated instances. Possibly you were not here when I touched upon the relative average net returns to us from export compared with domestic business.

Mr. DE ARMOND. What particular benefit is the tariff to you if they sell paper in Canada just as high as here?

Mr. LYMAN. There are some things that we do not like to discuss where they are liable to get into public print, and we do not like to particularly talk for the benefit of Canada. That is what it leads to.

Mr. DE ARMOND. I did not know but what you could explain to us why it is if prices are as high there as here, and no higher here than there, that the tariff is any value to you. Of course, if you do not care to explain it I do not desire to press the question. You prefer that the tariff be kept on both pulp and paper?

Mr. LYMAN. Yes, sir.

Mr. DE ARMOND. Could you give the committee any brief reason why you prefer it to be kept on?

Mr. LYMAN. We want to keep the industry of paper making in this country, and keep our capital invested here.

Mr. DE ARMOND. If Canada is not selling paper any cheaper than you are selling it, how could they take the market from you? You are here, and they would have to bring their material over.

Mr. LYMAN. An industry when it once gets on its feet can sometimes do better than just after it starts, or rather when it is in its incipiency. But we have not gone into this subject of the tariff, because it did not seem to be an issue. It was all gone into before the Committee on Ways and Means at the time the Dingley tariff law was in process of formation, and this same Mr. Norris at that time advanced the arguments he has used now—many of them that he has advanced now—and it was all thrashed out.

Mr. POWERS. Right on that point: Did not you people, before the Committee on Ways and Means in 1896, claim that if you could have your protection you were going to bring about these consolidations and directly cheapen the price of paper?

Mr. LYMAN. I think that was the honest expectation; but we did not know that we were on the verge of a revival of business, or a boom time, which was going to make everything go up.

Mr. POWERS. As a matter of fact, the paper which the newspapers use has been gradually on the increase for the past three or four years?

Mr. LYMAN. Yes.

Mr. POWERS. And what would you say as to the future? Is the price of paper likely to increase or decrease?

Mr. LYMAN. Well, that hinges on so many things that it seems to me rather foolish to attempt to prognosticate.

Mr. POWERS. Do you mean to say that the process you use in the manufacture to-day makes the paper cost more than it used to, or is the increased cost due to the rise in timber land?

Mr. LYMAN. It is due to the cost of wood, and the higher wages of labor, and the shorter hours we have been compelled to run, and also

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to the increase in the cost of almost every item that goes into the making of paper.

Mr. POWERS. And for that very reason it is not true that you could make paper in this country as cheaply as in Canada, where the hours of labor are not limited as they are here, and where the cost of labor is much cheaper.

Mr. LYMAN. The proof of the pudding is in the eating. Paper and pulp mills do not succeed in Canada, or at least they have not as yet.

Mr. POWERS. Why should they not succeed there? They have good labor and good timber.

Mr. LYMAN. Their labor is not as efficient as ours.

Mr. POWERS. I suppose this resolution has been introduced largely on the belief on the part of the newspaper men that this increase in the price of paper is due to some combination or understanding between the manufacturers?

Mr. LYMAN. I think it is due to their willful blindness to existing conditions.

Mr. POWERS. The newspaper men are not usually very blind.

Mr. LILLEY. In view of the fact that every paper mill in this country shut down, and you have been unable to supply them since, is it not due to the carelessness of the men themselves that they have not laid in supplies? I understand this condition was brought about because the big paper concerns were so shortsighted that they did not care to provide themselves with a sufficient stock to protect themselves against drought, or any unusual weather conditions. Is it not a fact that all the paper mills in the United States made an agreement, and all did shut down for the same length of time? Was there not an agreement between you and all the other mills to shut down during that period?

Mr. LYMAN. I have given, or rather this statement gives, the reason, which I supposed would be accepted as a rational one, that if we did not decrease the amount of raw material, but increased the amount of raw material by shutting down, we must necessarily be in position to increase our production of paper, which we did; and we have made more paper since the shut down than we could have made if we had not closed down those four days.

Mr. LILLEY. You say the cause of your closing down was because you ran out of pulp? Now, could every mill in the country happen to run out of pulp just at the same time, and get a renewal of stock at the same time?

Mr. LYMAN. They would be pretty apt to be affected by the same weather conditions.

Mr. LILLEY. They could hardly do that unless there was an understanding. You might just as well suppose that every milk dealer in the country could happen to run out of milk just at the same time, and every coal dealer in the country could happen to run out of coal just at the same time.

Mr. POWERS. Does your company manufacture pulp as well as paper, and carry the two along together?

Mr. LYMAN. Yes, sir.

Mr. POWERS. So that, if you were out of pulp at that time, it was your own fault?

Mr. LYMAN. We were not out of pulp. Our supply of pulp was

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reduced, and the relation which existed between the quantity of paper and pulp was such that it was better to increase our pulp at the expense, temporarily, of our paper, because eventually we would get it back in more paper. That was what we did.

Mr. LILLEY. But if there was no working agreement or understanding between the paper mills of this country, and it was open to competition, I can not understand how they would all shut down at the same time and then start up again at the same time. I understood you to say there was no agreement or understanding between the paper mills, and that it was an open fight in the trade. How do you account for the fact that they all shut down at the same time, and for the same period of time, if there was no working agreement among them?

Mr. LYMAN. There were at that time serious labor troubles and impending labor troubles. I do not care to have this published—I do not care to have this go abroad—but the labor situation was partly accountable for that shut down, as well as giving us the opportunity to equalize the pulp and paper.

Mr. LITTLE. You mean, in speaking of labor troubles, to refer to strikes, or things of that sort?

Mr. LYMAN. Yes, sir.

Mr. LITTLE. I want to ask if the free importation of pulp would not contribute very largely to the establishment of independent paper factories or paper mills?

Mr. LYMAN. I can not say as to that.

Mr. LITTLE. In other words, the greater proportionate expense connected with the operation of a paper mill, is it not, is in the manufacture of pulp?

Mr. LYMAN. That is a very large expense in the capitalization, which requires a large amount of capital. We would rather have a whole bite than a half bite. We want the whole business of making paper. If you cut off the pulp making, you would cut off a large end of it.

Mr. LITTLE. Would it not only conserve the preservation to some extent of our supply of wood and original timber, and at the same time enable the factories to go on with their manufacture of paper, and enable independent mills to be established for the manufacture of paper?

Mr. LYMAN. Possibly you have lost sight of the fact that independent mills are established. You do not want to ruin the paper industry?

Mr. LITTLE. I do not think it will ruin a legitimate industry to have legitimate competition.

Mr. LYMAN. We think we have our share.

Mr. LITTLE. By the way, I want to ask you on another question: Can you furnish the committee with a copy of the contract made for supplying paper to newspaper companies?

Mr. LYMAN. Yes, sir.

Mr. LITTLE. You have that?

Mr. LYMAN. We are perfectly willing to do so. I have not a copy here.

I am answering a great many questions offhand that ought to have considerable thought given to them, and I came down here merely prepared to answer questions that might be explanatory, rather than

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to make statements of fact or arguments on such unsettled problems as the tariff.

Mr. DE ARMOND. Could you give us an estimate of the relative cost of the mill that could produce pulp, or could make a hundred tons of pulp, or any other number of tons—could you give us any idea of the cost of the pulp plant as compared with the cost of a paper plant proper?

Mr. LYMAN. An estimate of the pulp and paper plant?

Mr. DE ARMOND. Yes.

Mr. LYMAN. That would be so much of a guess that I would rather not do it. I think, however, you may roughly say that pulp, ground wood, and sulphite, and the paper end of it, would represent about an equal amount of capital each; that is, without the water power and without the woodlands.

Mr. DE ARMOND. Then it would cost about as much to make the paper when you have the pulp as to make the pulp when you have the wood?

Mr. LYMAN. Of course we get a profit on the capital invested in the pulp plant which we would not do if we did not make the pulp.

Mr. DE ARMOND. I had the impression from what you said before that it cost a great deal more to make a given quantity of pulp and to supply wood, with the plant, excluding the cost of the timber, than to make that pulp into the paper you produce. I understood you said that in answer to a question of Judge Little.

Mr. SMITH. Is pulp produced cheaper in Canada than in the United States?

Mr. LYMAN. It depends upon the relative facilities and the favorable conditions in different locations. Considerable pulp comes into the United States from Canada, but not all that they make.

Mr. SMITH. I was wanting to ascertain if you could give for the information of the committee the relative cost in the two countries of producing this pulp?

Mr. LYMAN. There is probably not a great difference.

The CHAIRMAN. Mr. Lyman, while you are here and Mr. Lilley is here, I would like to read a couple of letters that Mr. Littlefield sent me and asked me to read to the committee in his absence. They are written by W. H. Parsons & Co., of New York. One is dated April 6 and the other April 8, and both are addressed to Mr. Littlefield. Here is the correspondence:

WASHINGTON, D. C., *April 9, 1904.*

Hon. JOHN J. JENKINS,
Chairman Judiciary Committee, House of Representatives.

MY DEAR SIR: Inclosed please find two letters from W. H. Parsons & Co. in relation to the "newspaper matter," which please have read to the Committee and made a part of the hearing.

Yours, very respectfully, C. E. LITTLEFIELD.

[W. H. Parsons & Co., paper manufacturers, 66 Broadway.]

NEW YORK, *April 6, 1904.*

Hon. CHARLES E. LITTLEFIELD,
Washington, D. C.

DEAR SIR: My attention has been called to an article in the Times this morning giving an account of the newspaper representatives' appearance before the House committee, and I regret exceedingly that Mr. Seitz, who represents the World, was

not asked the price he paid for his paper and whether in his judgment it was not less than the cost of manufacture, and that every pound furnished under the present contract results in a loss to the contractors—the Great Northern Paper Company. Such I believe to be the case, and I do not believe that he is ignorant of the facts. The claim that there is a combination is absurd, and both of these gentlemen know that whenever they are willing to pay a reasonable price for a good article of paper they can purchase it from us and from half a dozen other people, but we don't care to sell our goods at less than cost.

I address this letter to you because of our manufacturing interests in your State.

Very truly, yours,

W. H. Parsons, *President.*

[W. H. Parsons & Co., paper manufacturers, 66 Broadway.]

New York, *April 8, 1904.*

Hon. Charles E. Littlefield,
Committee on the Judiciary, House of Representatives, Washington, D. C.

Dear Mr. Littlefield: I am in receipt of yours of the 7th, and thank you for your courtesy in this matter. I hesitate to trouble you further, but in an extended report of the address made by Mr. Seitz of the World before the committee, I make the following quotation: "Small country newspapers, which formerly paid $40 per ton, are now paying $55."

Just at the moment we are very much pressed to fulfill our engagements, due to the fact that one of our mills was shut down for a number of weeks owing to the conditions that existed in Maine, of which you are familiar, but after a little we shall have paper to sell, and are prepared to make contracts at less than $2.15 per 100 pounds f. o. b. cars at our mill, and Mr. Seitz is aware of this fact, for we have made him a quotation at even a lower figure than the one stated.

My sole purpose in troubling you about this matter is that the committee may see the animus of the attack made upon the paper manufacturers who can not set the facts before the public as is in the case with other industries, such as steel, woolen, cotton, etc., simply because the press is a closed door to the paper manufacturers.

Again thanking you for your courtesy, I am,

Yours, very truly, W. H. Parsons, *President.*

[Telegram.]

New York, *April 13, 1904.*

Hon. Geo. L. Lilley,
Washington:

Norris, Conde, Hamlin, and myself appointed committee by resolution of American Newspaper Publishers' Association, on February 18 last. Fully empowered to raise $100,000 to carry on prosecution of trusts.

D. C. Seitz.

The Chairman (resuming). Mr. Littlefield desired me to read these letters to the committee. Have you anything to say, Mr. Lilley, in respect to them?

Mr. Lilley. They said that after the conditions became normal they will take contracts at $2.15 per hundred pounds, and they have been taking them at $2.75. That is a difference of 20 per cent.

The Chairman. Gentlemen, is there anything else?

Mr. Lilley. I do not think there is anything more to say.

The Chairman. By the way, there is a statement that they are making a lot of money, and then again other statements that they are selling paper below cost.

Thereupon, at 3.45 o'clock p. m., the hearing was concluded, and the committee went into executive session.

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ADDENDA.

COMMITTEE ON THE TERRITORIES,
HOUSE OF REPRESENTATIVES U. S.,
Washington, D. C., April 14, 1904.

Hon. JOHN J. JENKINS,
Chairman Committee on Judiciary, House of Representatives.

MY DEAR MR. JENKINS: If it is possible, I would like to be permitted to extend in the records of the hearings on the Lilley resolution the three further points which I have stated in the inclosed statement.

Trusting that this may be agreeable to you and the gentlemen of the committee, to all of whom I am under obligations for very courteous treatment,

I am, sincerely, yours,

GEO. L. LILLEY.

First. Mr. Seitz and Mr. Norris, instead of appearing for the New York World and the New York Times, as was said by Mr. Lyman, did, in fact, appear for the entire American Newspaper Publishers' Association, which uses more than three-quarters of all the news print paper manufactured in the United States.

Second. It is a fact—and Mr. Lyman did not deny it—that the Glens Falls company, which cost $300,000, was given in exchange, when the trust was formed, about $8,000,000 in preferred and common stock of the International Paper Company, or twenty-seven times its cost. And it isn't to be supposed that the other companies joined this combination on any less favorable terms. Therefore the 6 per cent dividend on this inflated valuation would amount to 162 per cent on the valuation of the Glens Falls company.

Third. It is inevitable that there must be at least an oral agreement among all the paper mills in this country, for the fact is not disputed that every mill, inside and outside the trust, shut down last fall on the same day and opened its works on the same day. Mr. Lyman says this was because of labor troubles. Is it possible that these labor troubles could have extended from Maine to California, taking in every single mill, and no newspaper in the United States knew of the agitation for a general strike in the paper trade?

[San Francisco Bee.]

Mr. CHAIRMAN. The newspapers are threatened to-day with a paper famine. The manufacturers tell us that 35 paper machines have shut down and that production has been reduced on an average of 600 tons per day, and that unless conditions change they may be unable to supply some of their customers after February 20.

Large consumers in New York have been limited recently to what may be termed a hand-to-mouth supply. On one occasion a morning paper at 11 p. m. did not have a single roll of paper in its press room.

The unfortunate publishers of Baltimore newspapers have been put to serious stress by this artificial scarcity.

The International Paper Company has imported cargoes of Norwegian pulp, and the Norwegian producers have offered it by advertisement to the paper trade generally.

Manufacturers confess that they are unable to obtain either pulp or water for production.

Is it not time the customers of these paper manufacturers took effective steps to protect themselves against men who show shortsightedness, lack of enlightened self-interest, and incapacity for the responsibilities they have arbitrarily assumed?

On the 1st of November, 1903, the manufacturers ascertained that there were 47,000 tons of news print paper in stock, an increase of 7,000 tons over the corresponding date of 1902. Accordingly they arranged for a shut down of five days, beginning November 25, 1903, by all mills East and West, calculating that in this way they would reduce stock to the extent of 12,000 tons. Some manufacturers tried to excuse this action by asserting that there was a shortage of ground wood, but Mr. C. W. Lyman, speaking for President Chisholm, while admitting that there was a shortage of pulp, said, "The International Paper Company, however, has not been obliged to shut down on account of the scarcity of pulp." In the Western States there was no pretense of a drought. It is therefore fair to infer that the only reason

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for shutting down was to take 12,000 tons out of the market and produce an artificial scarcity.

What explanation shall we expect from men who deliberately stop manufacturing and then produce a panic by their cries of famine?

What explanation shall we receive from these men who have produced an artificial situation of such a sort?

They have inaugurated an unhealthy bidding in woodlands to stop the incursion of rivals. They have marked up the price of wood and of labor upon themselves and upon their customers. They have failed regarding the promises they held out when the International Paper Company was organized. Instead of reducing the cost of manufacturing, they have increased it.

By dismantling one or more mills and converting others to different uses the International Paper Company has reduced the output of news print paper in its mills from a rated capacity of 1,600 tons per day in 1898 to an actual capacity of 1,200 tons, about, now. That corporation, while charged with all the responsibility of the paper market, has not added a single new news machine to its outfit in the five years of its history. It has bought the surplus product of independent mills in order that it might maintain high prices, and it has shipped some of that product abroad, so that, as its officers told Mr. J. Dixon, of Peter Dixon & Sons, it fared exceedingly well when it could only dispose of 90 per cent of its paper in this country and send the other 10 per cent to England "for what it would bring," and the British Paper Trade Journal has shown that these prices were not only below the British figures, but at prices which netted $10 per ton less than was asked in New York City, or $1.75 per hundred pounds.

We are told that it has even interfered with State legislation to prevent the expansion of other companies or to prevent their arranging to store water for such emergencies as we are now facing.

It has added $5,000,000 per annum to the cost of our paper supply.

In the fiscal year ending June 30, 1903, the International Paper Company paid $1,352,000 in dividends to the preferred stockholders and credited $1,186,132 to surplus. It paid out $1,000,000 for improvements, which were charged as operating expenses, in addition to $675,000 paid out for new construction and charged to plant account. In the face of this showing its preferred stock is selling around 63, or equivalent to 9 per cent, and its common stock is trailing round a quotation of $11 per share of $100 par. We are also told to-day that its notes are discounted for a large amount in the Street.

Do these facts show that it has gained results or that it has the confidence of investors?

It is a matter of sincere regret that the officers of the paper companies have not shown in their business management some trace of that ingenuity and versatility and energy that they have developed as calamity howlers. Apparently they have organized a propaganda to frighten newspaper publishers into the payment of higher prices. In November, 1903, when 47,000 tons of paper had accumulated and plans were maturing for a general shut down, we find that they misled the trade papers into statements that the supply of news print paper was just about equal to the demand, and that the consumption of paper at that time of year is "always heavy." Either they misled the trade papers, or they shut down their mills at a time when there was a big demand, and took 12,000 tons out of the market, in order that the price of news might be stiffened.

If the rivers are grinding pulp regularly, they approach us with lowered voice to tell us that floods have stopped their mills. If labor troubles are not threatening to shut off all production, then they tell us that the demands upon them for additional paper in political campaigns are taxing them beyond their capacity. If, after a period of drought the rain falls in New York and New England, then they are prepared to show that the rain did not reach the important news mill section in any volume, and at those places where there was a slight rainfall, they serve us with stories of a drop in temperature and the freezing of what rain did fall, and the continuance of panic conditions.

Enumerating, then, troubles incidental to the war in Cuba, the war in South Africa, and the present war between Russia and Japan, the increased output, owing to increases in newspaper advertising; coal strikes, shortened hours of work, forest fires, low water, floods, cold weather, stories of trains stalled by snow, the high price of sulphite, and the advance in all raw material, they have at all times within the last five years been ready to prove that conditions prevail which would preclude the idea of lower prices.

While the figures of the trade show that there are ten new news machines building, there is absolutely no prospect of material addition to production.

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REDLANDS, CAL., *April 13, 1904.*

Congressman JENKINS,
House of Representatives, Washington, D. C.:

Newspaper reports say Seitz and Norris stated before committee that your General Paper Company of Milwaukee and Chicago were in collusion with the International Company, both as to prices and division of territory, which statement is absolutely untrue. Please present to your committee.

J. A. KIMBERLY,
President, of Neenah, Wis.

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